



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



2023

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	2
Chairman's Statement	3
Management Discussion and Analysis	4
Directors and Senior Management	10
Report of the Directors	15
Corporate Governance Report	25
Environmental, Social and Governance Report	36
Independent Auditor's Report	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes in Equity	53
Consolidated Statement of Cash Flows	54
Notes to the Consolidated Financial Statements	55
Financial Summary	106



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

The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited

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 2023.

During the year ended 31 December 2023 and 2022, the Group recorded revenue of approximately HK\$41.7 million and HK\$44.9 million respectively, representing a decrease of approximately 7.1%. The Group recorded a profit attributable to owners of the parent of approximately HK\$2.6 million for the year ended 31 December 2023 as compared to a loss attributable to owners of the parent of approximately HK\$2.0 million for the prior year. The turnaround from loss to profit for the year ended 31 December 2023 was mainly attributable to (i) the decrease in staff cost resulting from the implementation of cost control measures, which included team restructuring; and (ii) the recognition of a one-off gain on deconsolidation of a subsidiary during the year.

With inflation and rising interest rates, the global economy remained turbulent in 2023. During the year, we have been closely reviewing and monitoring the financial performance of all segments and adjusting business strategies including pricing model in order to cater to different customer segments and their specific needs. However, the change in customer purchase pattern and keen competition in the global online backup software market have a detrimental impact on our results of operations.

In response to the fierce competition in online backup industry, the Group continuously dedicated to developing high quality products to cope with the market needs and changes. Two major features — "Immutable Backup" and "Restore Drill" have been launched during the year. Cyber-threats are apparently a danger not only to global business but also individuals. Cybersecurity and data protection are two essential areas that nowadays must focus on. With the Group's solid experience accumulated over the years, the Group will continue to commit to its core business.

Looking ahead, the Board remains prudent and optimistic on the prospects and performance of the Group's business in the long term. We will continue to strengthen our core technology and capability to enhance our products. We will also closely monitor our financial performance in 2024.

On behalf of the Board, I would like to take this opportunity to express my most sincere appreciation to all the management team and staff for their dedication and contribution over the past years. I would also like to thank all the shareholders, customers, suppliers and business partners for their continuous support and trust.

Chong Siu Ning
Chairman

Hong Kong
15 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

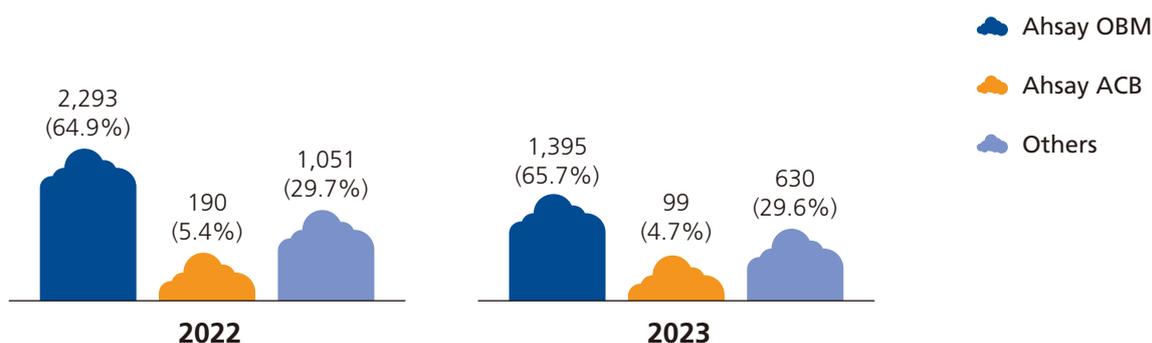
Over the past few years, the Group has faced a challenging economic environment, with external factors such as increased competition and changing market demand continually impacting our business especially our online backup software segment. As a result, revenue derived from the Group's online backup software and its related services inevitably decreased by approximately HK\$3.9 million or 9.7% from approximately HK\$40.3 million for the year ended 31 December 2022 to approximately HK\$36.4 million for the year ended 31 December 2023.

On the other side, the revenue derived from the Group's information platform increased by approximately HK\$0.6 million or 13.0% from approximately HK\$4.6 million for the year ended 31 December 2022 to approximately HK\$5.2 million for the year ended 31 December 2023.

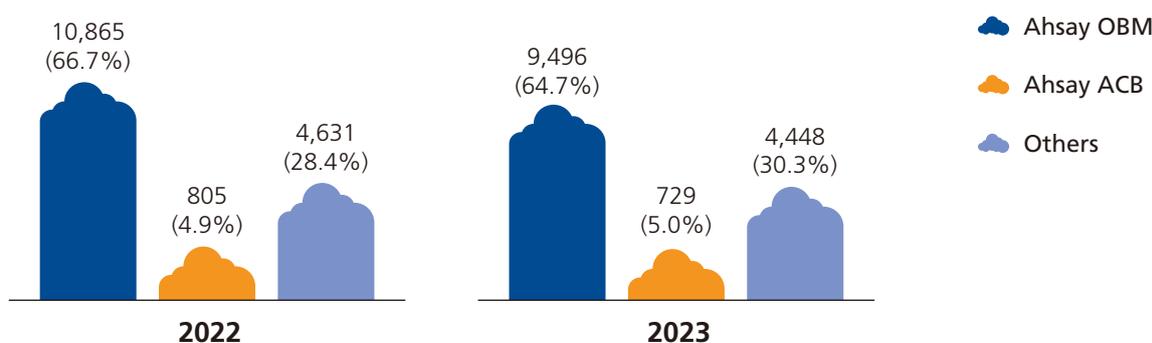
Total revenue of the Group decreased by approximately HK\$3.2 million or 7.1% from approximately HK\$44.9 million for the year ended 31 December 2022 to approximately HK\$41.7 million for the year ended 31 December 2023.

For the year ended 31 December 2023, Ahsay Online Backup Manager ("Ahsay OBM") and Ahsay A-Click Backup ("Ahsay ACB"), core components of Ahsay™ Backup Software, in aggregation accounted for approximately 69.8% 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 2022 and 2023, respectively:

i) Revenue by software license sales (HK\$'000)



ii) Revenue by software license leasing (HK\$'000)



Management Discussion and Analysis

For the year ended 31 December 2023, the number of license sales of Ahsay OBM was 3,660 as compared with 6,572 of the corresponding period in 2022, representing a decrease of approximately 44.3%. The average unit price increased by approximately HK\$32 or 9.2% from approximately HK\$349 in 2022 to approximately HK\$381 in 2023. 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 2023, the number of license sales of Ahsay ACB was 695 as compared with 1,173 of the corresponding period in 2022, representing a decrease of approximately 40.8%. Although the average unit price decreased by approximately HK\$20 or 12.3% from approximately HK\$162 in 2022 to approximately HK\$142 in 2023, 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.

For the year ended 31 December 2023, the total number of monthly license leasing for Ahsay OBM was 215,247 as compared with 231,580 of the corresponding period in 2022, representing a decrease of approximately 7.1%. The average monthly price decreased by approximately HK\$2.8 or 6.0% from approximately HK\$46.9 per month in 2022 to approximately HK\$44.1 per month in 2023. 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 2023, the total number of monthly license leasing for Ahsay ACB was 96,599 as compared with 100,774 of the corresponding period in 2022, representing a decrease of approximately 4.1%. The average unit price per month decreased by approximately HK\$0.5 or 6.3% from approximately HK\$8.0 in 2022 to approximately HK\$7.5 in 2023. 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 2023. 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.

Management Discussion and Analysis

OUTLOOK

Core Backup Business

Our current version of Ahsay™ Backup Software — Version 9 (“Version 9”) launched in 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 “Data 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. “Data Deduplication” plays a major role in managing storage space, particularly when performed over large volumes of data.

There are new features including “Immutable Backup” and “Restore Drill” being launched during the year. Those features are mainly related to cybersecurity and data protection. “Immutable Backup” provides MSPs an unaltered copy of backup data that remains in a protected state, immune to accidental or malicious alterations. While facing the threats of ransomware and cyberattacks, MSPs can rebuild the data by using the unaltered copy. It can help combat the threat by ensuring that a secure and unchangeable copy of the backup is always available for data restoration when needed.

“Restore Drill” enables MSPs to conduct periodic and automated disaster recovery drills to test the restoration of data from backups in order to ensure the backup copies are usable. It also allows MSPs to identify potential problems such as missing or corrupted backup data and will make the best effort to correct the problems to ensure the backup data is recoverable or an alert is issued to MSPs.

Version 9 can be deployed within a company to back up 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 solutions 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 to protect full chat history and files shared during chats.

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) (“KINBOY”) which is an information analysis tool and KINTIPS (堅料) (“KINTIPS”) for information sharing. Such platforms are mainly accessible via 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 was launched during 2022 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.

Management Discussion and Analysis

Mobile applications have become increasingly popular and the general populace are accustomed to using mobile devices as the new norm. Compared to traditional newspapers, mobile applications offer several advantages including flexibility and convenience. Also, multimedia features of KINBOY such as videos of tipsters make users a more engaging and interactive way to consume news and information. 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 2023 and 2022, the Group recorded revenues of approximately HK\$41.7 million and HK\$44.9 million respectively, representing a decrease of approximately 7.1%. The Group recorded a profit attributable to owners of the parent of approximately HK\$2.6 million for the year ended 31 December 2023 as compared to a loss attributable to owners of the parent of approximately HK\$2.0 million for the prior year.

Revenue

The Group's revenue was principally derived from income from software license sales and leasing, software upgrades and maintenance services, subscription fees and other services. Revenues of approximately HK\$41.7 million and HK\$44.9 million were recognised for the years ended 31 December 2023 and 2022, respectively, representing a decrease of approximately 7.1%.

The decrease in revenue for the year ended 31 December 2023 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\$0.5 million or 26.3%, to approximately HK\$2.4 million for the year ended 31 December 2023 from approximately HK\$1.9 million for the year ended 31 December 2022. The increase in other income for the year ended 31 December 2023 was mainly due to the increase in bank interest income as a result of the increase in the average rate of time deposits during the year; which was partially offset by the absence of subsidies granted to the Group under the Employee Support Scheme launched by the Government of the Hong Kong Special Administrative Region as compared with the prior year.

Other Gains (Losses), net

Other gains, net increased by approximately HK\$2.5 million, to approximately HK\$2.0 million for the year ended 31 December 2023 from other losses, net of approximately HK\$0.5 million for the year ended 31 December 2022. The increase in other gains for the year ended 31 December 2023 was mainly due to the recognition of a one-off gain on deconsolidation of a subsidiary during the year.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, mandatory provident fund contributions, staff welfare and other related expenses. Staff costs and related expenses decreased by approximately HK\$2.9 million or 8.8%, to approximately HK\$29.9 million for the year ended 31 December 2023 from approximately HK\$32.8 million for the year ended 31 December 2022.

The decrease in staff costs and related expenses for the year ended 31 December 2023 was mainly due to the implementation of cost control measures during the year, including team restructuring of the Group as compared with the prior year.

Management Discussion and Analysis

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\$1.4 million, or 9.3%, to approximately HK\$13.6 million for the year ended 31 December 2023 from approximately HK\$15.0 million for the year ended 31 December 2022.

The decrease in other expenses was mainly due to the decrease in advertising and marketing expenses resulting in changing on marketing matrix and other operating expenses including software license, non capitalised expenses, consultancy service fees and motor vehicle expenses resulting in further cost tightening, which was partially offset by the increase in content acquisition cost in order to enrich the content of KINBOY application as compared with the prior year.

Income Tax Credit (Expense)

The Group recorded income tax credit of approximately HK\$0.3 million for the year ended 31 December 2023. The increase in income tax credit was mainly due to the recognition of deferred tax assets in relation to the unused tax losses arisen in a subsidiary which is considered probable that taxable profits will be available against the tax losses can be utilised.

Profit (Loss) for the Year

The Group recorded a profit of approximately HK\$2.6 million for the year ended 31 December 2023 as compared to a loss of approximately HK\$2.3 million for the prior year. The profit for the year consisted of an approximately HK\$3.2 million segment loss from the Group's online backup software and related services segment, and a segment profit of approximately HK\$1.1 million generated by the information platform segment and unallocated income of approximately HK\$4.3 million which included a one-off gain on deconsolidation of a subsidiary amounting to approximately HK\$2.1 million.

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

The Group is in a sound financial position. As at 31 December 2023, the Group's current assets were approximately HK\$66.1 million (31 December 2022: approximately HK\$64.9 million). The Group remained at a net cash position as at 31 December 2023 and 2022, 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 2023, there was no charge on assets of the Group (31 December 2022: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 31 December 2023, 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 2023, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was zero (31 December 2022: 3.4%).

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.

Management Discussion and Analysis

The Group's cash is primarily deposited at licensed banks in Singapore denominated mainly in US\$. As at 31 December 2023, no related hedges were made by the Group (31 December 2022: 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 2023 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 2023 and 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

Other than the deconsolidation of a subsidiary as disclosed in note 25, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2023 and 2022, respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a workforce of 65 employees (2022: 73). 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 2023 was approximately HK\$29.9 million, representing a decrease of approximately HK\$2.9 million or 8.8% as compared to that of the corresponding period in 2022. 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 2023, 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 50, 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 (莊小霽) (“Mr. Schubert Chong”), aged 54, 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 Development and Civic Education Committee (油尖旺區青年發展及公民教育委員會) and The

Directors and Senior Management

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 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 76, 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.

Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Chong Siu Fan (莊小霧) (“Ms. Monita Chong”), aged 51, 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 55, 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.

Directors and Senior Management

Ms. Wong Pui Man (黃佩文) (“Ms. Wong”), aged 51, 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 73, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board.

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 44, 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.

Directors and Senior Management

Mr. Lo Ho Chuen Kenneth (盧浩存) (“Mr. Lo”), aged 55, 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 49, 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.

Report of the Directors

The Directors of the Company present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the financial statements on pages 51 to 105.

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 2023.

Report of the Directors

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 24 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 2023, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

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

DISTRIBUTABLE RESERVES

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 2023 amounted to HK\$59,260,000 (FY2022: HK\$59,419,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, 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 2023.

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. Scherring Chong, Mr. Chong King Fan and Mr. Wong Yau Sing will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATIONS OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENT

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 30 to the consolidated financial statements 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.

Report of the Directors

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2023 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;

Report of the Directors

(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 2023.

Report of the Directors

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2023 are disclosed in note 30 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 Office Premises 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 2023, the aggregate amount of rentals paid by the Group to the landlord were HK\$2,520,000.

The Office Premises Tenancy Agreement will expire on 31 December 2023. On 10 November 2023, Ahsay HK and Assets Sino HK entered into the Tenancy Renewal Agreement (“Tenancy Renewal Agreement”) in relation to the renewal of the term of the Office Premises Tenancy Agreement for a further term of one year commencing from 1 January 2024 to 31 December 2024 at a monthly rent of HK\$210,000 (exclusive of government rates, government rent and management fee).

Assets Sino HK is a company under common control of the Controlling Shareholders and is therefore a connected person of the Company under the GEM Listing Rules.

The rent payable to Assets Sino HK under the Tenancy Renewal Agreement is based on the amount of rent payable under the Office Premises Tenancy Agreement, which was determined after arm’s length negotiation between the parties with reference to the prevailing market rent for properties of similar use.

The INEDs of the Company have reviewed the connected transaction and confirmed that the Tenancy Renewal 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 Tenancy Renewal Agreement had been recognised as right-of-use assets, and the transaction contemplated under the Tenancy Renewal Agreement had been recognised as the acquisition of right-of-use assets with the aggregate consideration of approximately HK\$2,307,000 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 10 November 2023.

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 2023, 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:

- As at 31 December 2023, the Company had 2,000,000,000 Shares in issue.
- As at 31 December 2023, 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 2023, 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.

Report of the Directors

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

As at 31 December 2023, 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 2023, 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 2023, 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 2023.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2023, 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 2023.

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.

Report of the Directors

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.

AUDITORS

The financial statements for the year ended 31 December 2023 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

15 March 2024

Corporate Governance Report

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 2023.

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 2023.

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 2023.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2023 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

Corporate Governance Report

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.

Corporate Governance Report

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 2023, four Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

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

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

Directors are provided with monthly updates on internal unaudited financial information so as to give them a balanced and understandable assessment of the Group's performance, position and prospects. All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 31 December 2023.

Corporate Governance Report

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 2023, 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.

Corporate Governance Report

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 2023, 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 2023, 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 (<i>Chairman</i>)	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.

Corporate Governance Report

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 2023, no new Director was appointed.

Corporate Governance Report

During the year ended 31 December 2023, 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 (<i>Chairman</i>)	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 2023, 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 (<i>Chairman</i>)	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 2023 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.

Corporate Governance Report

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 2023, 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 (<i>Chairman</i>)	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 2023, 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 2023, 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 2023, 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	860
Non-audit service (note 1)	229

Notes:

1. For the year ended 31 December 2023, 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 2023, 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 2023, 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.

Corporate Governance Report

For the year ended 31 December 2023, 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 confidentiality 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 5 May 2023, 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 2023, 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 2023 financial year, from 1 January 2023 to 31 December 2023.

Reporting Boundary

Unless otherwise specified, the reporting scope of this Report is the same as our 2022 Annual Report covering the Company and all of its subsidiaries, except for a subsidiary in South Korea was deconsolidated in early 2023. 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.

Environmental, Social and Governance Report

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.

Environmental, Social and Governance Report

OUR GOALS

Goals	Material issue	Relevance to the business
People-oriented	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

The Group carries out local community engagement and community activities based on local communities' needs. During the year ended 31 December 2023, the Company joined "Dress Red for Thalassaemia" organized by Children's Thalassaemia Foundation on 27 October 2023 to support Thalassaemia patients who needs blood transfusions, and to fund their daily medical expenses and improve their quality of care. During the fund-raising period, 36 of our employees participated and raised a total of \$5,000 donation to the said program.



Besides making monetary donation, Ahsay in Hong Kong collected clothes and goods from staff members, their relatives and friends in September 2023 to donate to the Salvation Army. The initiative was successful with a total of over 300 pieces of clothing and goods donated.

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:

	2023	2022
Indirect emissions (Scope 2) CO ₂ emissions from electricity generation (kgs) (Note)	108,997	117,178
Indirect emissions (Scope 2) per floor area (kgs/m ²)	88.3	80.8
per employee (kgs/employee)	1,676.9	1,605.2

Environmental, Social and Governance Report

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).

Due to the end of special working arrangement and leased out an office unit in the Philippines in 2022, direct comparison data is not available. The Group targets to maintain or reduce the intensity of GHG emissions level by 2024 with the baseline year in 2023.

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 2023.

During the year ended 31 December 2023, 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.

Environmental, Social and Governance Report

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.

Due to the end of special working arrangement and leased out an office unit in the Philippines in 2022, direct comparison data is not available. The Group targets to maintain or reduce the level of the use of resources by 2024 with the baseline year in 2023.

The summary of the use of resources are as follows:

(1) Energy consumption

Indicators	2023	2022
Total energy consumption (kWh)	254,290	276,943
Total energy consumption per floor area (kWh/m ²)	206.1	190.9
per employee (kWh/employee)	3,912.2	3,793.7

(2) Water consumption

Indicators	2023	2022
Total water consumption (m ³) (Note)	274	216
Total water consumption per floor area (m ³ /m ²)	0.2	0.2
per employee (m ³ /employee)	4.2	3.0

(3) Paper consumption

Indicators	2023	2022
Total paper consumption (Reams)	70.8	83.0
Total paper consumption per employee (Reams/employee)	1.1	1.1

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.

Environmental, Social and Governance Report

EMPLOYMENT

The Group has established and implemented the “Employee Handbook”, which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits as well as welfare for our employees in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labor Code of the Philippines and other applicable laws. The Group also aims to promote diversity in the workplace, including 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 2023, 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 2023, the Group’s total number of staffs was 65 (2022: 73). The following is the employee structure of the Group:

	2023	2022
Number of employees		
By gender		
Male	43	50
Female	22	23
By age group		
Below 30	18	23
30 to 50	41	45
Over 50	6	5
By employment type		
Permanent	65	73
Contract/Part-time	–	–
By region		
Hong Kong	34	41
Philippines	31	30
South Korea	–	2
Employee turnover rate		
Total turnover rate of employee	29%	56%
By gender		
Male	30%	58%
Female	27%	52%
By age group		
Below 30	61%	83%
30 to 50	20%	47%
Over 50	–	20%
By region		
Hong Kong	21%	27%
Philippines	39%	100%
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.

Environmental, Social and Governance Report

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 2023, 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.

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	2023	2022	2021
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 2023, 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.

Environmental, Social and Governance Report

	2023	2022
Percentage of employees trained by employee category and by gender		
Middle management	5%	10%
Non-management	95%	91%
Male	55%	57%
Female	45%	43%
Average training hours per employee by employee category and by gender		
Middle management	0.3	0.7
Non-management	3.7	2.3
Male	2.2	1.5
Female	3.1	2.0

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 2023. 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 2023. 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.

Environmental, Social and Governance Report

	2023	2022
Number of products and service related complaints received	11	15

During the year ended 31 December 2023, 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 2023.

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 2023, 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 105, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 ("HKSA") 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.

Independent Auditor's Report

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.

How our audit addressed the key audit matter

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.

Independent Auditor's Report

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.

Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, 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.

Independent Auditor's Report

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

15 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	41,659	44,882
Cost of inventories sold		(47)	(223)
Other income	6	2,367	1,867
Other gains (losses), net	6	1,982	(468)
Staff costs and related expenses	7	(29,869)	(32,763)
Other expenses	8	(13,578)	(15,023)
Finance costs	9	(245)	(444)
Profit (loss) before tax		2,269	(2,172)
Income tax credit (expense)	10	349	(140)
Profit (loss) for the year		2,618	(2,312)
Attributable to:			
Owners of the parent		2,644	(1,964)
Non-controlling interests		(26)	(348)
		2,618	(2,312)
Other comprehensive income (loss)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising on translation of foreign operations		151	(619)
Reclassification adjustment of translation reserve upon deconsolidation of a subsidiary		(129)	—
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		22	(619)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Surplus on revaluation of owner-occupied properties upon transfer to investment properties	14	—	705
Income tax effect	22	—	(170)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		—	535
Other comprehensive income (loss) for the year		22	(84)
Total comprehensive income (loss) for the year		2,640	(2,396)
Attributable to:			
Owners of the parent		2,709	(2,112)
Non-controlling interests		(69)	(284)
		2,640	(2,396)
Earnings (loss) per share attributable to ordinary equity holders of the parent			
— Basic and diluted (HK cent)	13	0.13	(0.10)

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	7,297	8,387
Investment properties	15	2,932	2,919
Right-of-use assets	16	2,307	4,833
Equity investment designated at fair value through other comprehensive income	17	—	—
Deposits paid	18	—	421
Deferred tax assets	22	355	—
Total non-current assets		12,891	16,560
CURRENT ASSETS			
Inventories		—	64
Trade and other receivables	18	3,709	5,155
Tax recoverable		6	—
Bank balances and cash	19	62,337	59,727
Total current assets		66,052	64,946
CURRENT LIABILITIES			
Other payables and accruals	20	4,915	5,145
Contract liabilities	21	12,502	14,168
Lease liabilities	16	2,400	2,340
Other borrowings	23	—	1,829
Tax payable		41	106
Total current liabilities		19,858	23,588
NET CURRENT ASSETS		46,194	41,358
TOTAL ASSETS LESS CURRENT LIABILITIES		59,085	57,918
NON-CURRENT LIABILITIES			
Contract and other liabilities	21	1,142	1,339
Lease liabilities	16	—	2,572
Deferred tax liabilities	22	19	137
Total non-current liabilities		1,161	4,048
NET ASSETS		57,924	53,870
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	20,000	20,000
Reserves		37,924	35,215
		57,924	55,215
Non-controlling interests		—	(1,345)
Total equity		57,924	53,870

The consolidated financial statements on pages 51 to 105 were approved and authorised for issue by the Board of Directors on 15 March 2024 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 2023

	Attributable to owners of the parent						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	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			
At 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 and 1 January 2023	20,000	72,435*	3,395*	535*	(609)*	(40,541)*	55,215	(1,345)	53,870
Profit (loss) for the year	—	—	—	—	—	2,644	2,644	(26)	2,618
Other comprehensive income (loss) for the year									
Exchange differences arising on translation of foreign operations	—	—	—	—	194	—	194	(43)	151
Reclassification adjustment of translation reserve upon deconsolidation of a subsidiary (note 25(a))	—	—	—	—	(129)	—	(129)	—	(129)
Total comprehensive income (loss) for the year	—	—	—	—	65	2,644	2,709	(69)	2,640
Deconsolidation of a subsidiary (note 25(a))	—	—	702	—	—	(702)	—	1,414	1,414
At 31 December 2023	20,000	72,435*	4,097*	535*	(544)*	(38,599)*	57,924	—	57,924

* These reserve accounts comprise the consolidated reserves of HK\$37,924,000 (2022: HK\$35,215,000) in the consolidated statement of financial position.

Note:

i. Capital and other reserves comprise:

- 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;
- 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;
- 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; and
- 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		2,269	(2,172)
Adjustments for:			
Interest income	6	(2,158)	(583)
Change in fair value of investment properties	6	16	(75)
Gain on deconsolidation of a subsidiary	6	(2,077)	—
Finance costs	9	245	444
Depreciation of property, plant and equipment	8	1,383	1,574
Depreciation of right-of-use assets	8	2,358	2,403
Write-down of inventories to net realisable value	8	16	—
Loss on write-off of property, plant and equipment		—	6
Operating cash flows before movements in working capital		2,052	1,597
Decrease in inventories		48	12
Increase (decrease) in trade and other receivables and deposits paid		1,369	(1,851)
Increase in other payables and accruals		495	784
Decrease in contract and other liabilities		(555)	(897)
Cash from (used in) operations		3,409	(355)
Income taxes paid, net		(195)	(113)
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		3,214	(468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(173)	(372)
Deconsolidation of a subsidiary		(17)	—
Interest received		2,123	439
Decrease (increase) in non-pledged time deposits with original maturity of more than three months when acquired		10,330	(10,533)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		12,263	(10,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	25(b)	(2,337)	(2,260)
New other borrowings	25(b)	—	226
Interest paid		(245)	(444)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(2,582)	(2,478)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,895	(13,412)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		49,194	62,539
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		45	67
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		62,134	49,194
ANALYSIS OF BANK BALANCES AND CASH			
Cash and cash equivalents as stated in the consolidated statement of cash flows		62,134	49,194
Non-pledged time deposits with original maturity of more than three months when acquired		203	10,533
Bank balances and cash as stated in the consolidated statement of financial position		62,337	59,727

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties and an equity investment which have been measured at fair value. These 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 2023. 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 the related assets (including goodwill), liabilities, any non-controlling interest and the translation reserve; and recognises the fair value of any investment retained and 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 accumulated losses, 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 did not have any impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments") ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments") ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. 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 financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties and equity Investment 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL 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 revenue 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 and courses, to customers. Support 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 services are recognised at a point in time as 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 and provision of other services. 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, subscription fees and provision of other services, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL 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 and provision of other services 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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 "profit (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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);

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

- (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;
- (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 right-of-use assets) held to earn rental income and/or for capital appreciation. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL 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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial 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 non-financial 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 have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Inventories

Inventories represented finished goods. 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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 *Revenue from contracts with customers* 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

Financial assets that meet the following conditions are subsequently measured at amortised cost or fair value through other comprehensive income:

- 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 ("SPPI") on the principal amount outstanding.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Subsequent measurement

Financial assets at 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.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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.

Financial liabilities 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Significant accounting judgements

The following are the significant judgements, apart from those involving estimation (see below), management has 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Significant accounting judgements (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.

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 2023, the fair value of investment properties was HK\$2,932,000 (2022: HK\$2,919,000), details of which are included in Note 15 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2023 was HK\$355,000 (2022: Nil). Further details are included in note 22 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty

Impairment of non-financial assets

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, sale of hardware devices and provision of other services

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 profit (loss) from each segment without allocation of other income and other gains (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023			For the year ended 31 December 2022		
	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	2,124	—	2,124	3,534	—	3,534
Software license leasing	14,673	—	14,673	16,301	—	16,301
Software upgrades and maintenance services	18,412	—	18,412	19,303	—	19,303
Other services	1,079	526	1,605	1,105	—	1,105
Sale of hardware devices	—	36	36	—	251	251
Information sharing service income	—	38	38	—	96	96
Subscription fees	130	4,641	4,771	20	4,272	4,292
Total revenue	36,418	5,241	41,659	40,263	4,619	44,882
Timing of revenue recognition						
At a point in time	2,163	600	2,763	3,590	347	3,937
Over time	34,255	4,641	38,896	36,673	4,272	40,945
	36,418	5,241	41,659	40,263	4,619	44,882
Segment (loss) profit	(3,228)	1,148	(2,080)	(4,488)	917	(3,571)
Unallocated incomes and expenses						
Other income			2,367			1,867
Other gains (losses), net			1,982			(468)
Profit (loss) before tax			2,269			(2,172)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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:

	2023	2022
	HK\$'000	HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	12,502	14,168
After one year	1,018	910
	13,520	15,078

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023			At 31 December 2022		
	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	15,801	805	16,606	21,209	570	21,779
Reconciliation:						
Unallocated assets						
Bank balances and cash			62,337			59,727
Consolidated assets			78,943			81,506
Reportable segment liabilities						
Segment liabilities	18,566	2,453	21,019	24,845	2,791	27,636

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 2023			For the year ended 31 December 2022		
	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)	173	—	173	358	14	372
Depreciation	3,728	13	3,741	3,962	15	3,977
Fair value (losses) gains on investment properties	(16)	—	(16)	75	—	75
Write-down of inventories to net realisable value	—	16	16	—	—	—

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
Hong Kong	3,101	6,162
Philippines	9,435	9,971
South Korea	—	6
	12,536	16,139

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:

	2023 HK\$'000	2022 HK\$'000
United States of America	7,280	5,558
Hong Kong	5,645	5,109
Others (Note)	28,734	34,215
	41,659	44,882

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 GAINS (LOSSES), NET

(a) Other income

	2023 HK\$'000	2022 HK\$'000
Bank interest income	2,139	562
Interest income on refundable rental deposits	19	21
Government subsidies (Note)	—	1,000
Rental income	117	43
Sundry income	92	241
	2,367	1,867

Note: Government subsidies related to subsidies granted by the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme. There were no unfulfilled conditions or contingencies relating to these subsidies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(b) Other gains (losses), net

	2023 HK\$'000	2022 HK\$'000
Foreign exchange differences, net	(79)	(543)
Fair value (losses) gains on investment properties	(16)	75
Gain on deconsolidation of a subsidiary (note 25(a))	2,077	—
	1,982	(468)

7. STAFF COSTS AND RELATED EXPENSES

	2023 HK\$'000	2022 HK\$'000
Directors' emoluments (Note 11)	6,064	6,098
Other staff costs		
— Salaries, allowances and benefits in kind and performance bonus	22,913	25,721
— Retirement benefit scheme contributions (defined contribution scheme), excluding directors' retirement benefit scheme contributions*	576	763
Total directors' and staff costs	29,553	32,582
Staff-related expenses	316	181
Staff costs and related expenses	29,869	32,763
Research and development costs included in staff costs and related expenses	10,527	12,177

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2022: Nil).

8. OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	860	855
Advertising and marketing expenses	432	1,214
Content acquisition cost	1,534	1,065
Legal and professional fees	1,421	1,340
Depreciation of property, plant and equipment	1,383	1,574
Depreciation of right-of-use assets	2,358	2,403
Expenses related to short-term leases	106	200
Rates and property management fees	567	581
Merchant credit card charges	1,259	1,260
Electricity and water	433	435
Web hosting expenses	648	660
Write-down of inventories to net realisable value	16	—
Others	2,561	3,436
	13,578	15,023

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expense on:		
Lease liabilities	238	365
Other borrowings	7	79
	245	444

10. INCOME TAX (CREDIT) EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax	136	130
Overprovision in prior years	(12)	(30)
	124	100
Deferred tax (Note 22)	(473)	40
	(349)	140

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 2023 and 2022, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. INCOME TAX (CREDIT) EXPENSE (continued)

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

	2023 HK\$'000	2022 HK\$'000
Profit (loss) before tax	2,269	(2,172)
Tax at the Hong Kong Profits Tax rate of 16.5%	374	(358)
Differences in tax rates for specific provinces or enacted by local authority	4	43
Tax effect of expenses not deductible for tax purposes	116	149
Tax effect of income not taxable for tax purposes	(740)	(270)
Tax effect of tax losses not recognised	206	718
Tax losses utilised from previous period	(200)	(189)
Tax effect of deductible temporary differences (utilised) not recognised	(50)	135
Overprovision in prior years	(12)	(30)
Income tax at the concessionary rate	(47)	(58)
Income tax (credit) expense for the year	(349)	140

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 2023				
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000 (Note ii)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Chong King Fan	144	—	—	—	144
Chong Siu Pui (Note i)	144	1,999	333	18	2,494
Chong Siu Ning	144	2,304	384	18	2,850
Non-executive director					
Chong Siu Fan	144	—	—	—	144
	576	4,303	717	36	5,632
Independent non-executive directors					
Wong Cho Kei Bonnie	144	—	—	—	144
Wong Pui Man	144	—	—	—	144
Wong Yau Sing	144	—	—	—	144
	432	—	—	—	432
Total directors' emoluments	1,008	4,303	717	36	6,064

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

	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 ii)	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

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) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023 (2022: two), details of their emoluments are set out above. The remuneration for the remaining three individuals for the year ended 31 December 2023 (2022: three individuals) is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	2,967	2,948
Performance bonus	495	246
Retirement benefit scheme contributions	54	54
	3,516	3,248

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	
	2023	2022
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. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2023 HK\$'000	2022 HK\$'000
Profit (loss) attributable to ordinary equity holders of the parent	2,644	(1,964)

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (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 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 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 and 1 January 2023	7,146	4,284	6,047	151	17,628
Additions	—	—	173	—	173
Write-off	—	—	(99)	—	(99)
Deconsolidation of a subsidiary (note 25(a))	—	—	(50)	—	(50)
Exchange realignment	71	12	9	—	92
At 31 December 2023	7,217	4,296	6,080	151	17,744
ACCUMULATED DEPRECIATION					
At 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 and 1 January 2023	858	3,747	4,485	151	9,241
Provided for the year	314	252	817	—	1,383
Eliminated on write-off	—	—	(99)	—	(99)
Deconsolidation of a subsidiary (note 25(a))	—	—	(44)	—	(44)
Exchange realignment	(17)	(13)	(4)	—	(34)
At 31 December 2023	1,155	3,986	5,155	151	10,447
CARRYING VALUES					
At 31 December 2023	6,062	310	925	—	7,297
At 31 December 2022	6,288	537	1,562	—	8,387

* 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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 ended 31 December 2022, 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

	2023 HK\$'000	2022 HK\$'000
Carryings amount at 1 January	2,919	—
Net (losses) gains from a fair value adjustment	(16)	75
Transfer from owner-occupied property (Note 14)	—	2,827
Exchange realignment	29	17
Carrying amount at 31 December	2,932	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 2023 based on valuations performed by Concord-E Valuation Services, Inc., independent professionally qualified valuers, at HK\$2,932,000. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. INVESTMENT PROPERTIES (continued)

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 2023 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	—	—	2,932	2,932
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 years, 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 during the year ended December 2022 as detailed above.

The valuation of the investment properties were carried out by the independent professionally qualified valuers using the market approach. The significant unobservable inputs used in the valuation consisted of price per square meter in the range of PHP127,941 to PHP171,140 (2022: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2022	7,014	222	7,236
Depreciation charge	(2,354)	(49)	(2,403)
As at 31 December 2022 and 1 January 2023	4,660	173	4,833
Depreciation charge	(2,353)	(5)	(2,358)
Deconsolidation of a subsidiary (note 25(a))	—	(168)	(168)
As at 31 December 2023	2,307	—	2,307

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 ("Option to Renew"). In the opinion of the directors, the Group had expected to exercise the Option to Renew and hence, recognised the right-of-use assets and lease liabilities using a term of 3 years.

Monthly rental (exclusive of government rates, government rent and management fee) under the Tenancy Renewal Agreement amounted to HK\$210,000. On 10 November 2023, Ahsay HK exercised the Option to Renew to extend the lease term for one year (i.e. from 1 January 2024 to 31 December 2024). 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023 HK\$'000	2022 HK\$'000
Carrying amount at 1 January	4,912	7,172
Accretion of interest recognised during the year	238	365
Payments	(2,575)	(2,625)
Deconsolidation of a subsidiary (note 25(a))	(175)	—
Carrying amount at 31 December	2,400	4,912
Analysed into:		
Current portion	2,400	2,340
Non-current portion	—	2,572
	2,400	4,912

The maturity analysis of lease liabilities is disclosed in note 28(c) to the consolidated financial statements.

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

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	238	365
Depreciation charge of right-of-use assets	2,358	2,403
Expense relating to short-term leases	106	200
Total amount recognised in profit or loss	2,702	2,968

The Group as a lessor

The Group leases its investment properties (Note 15) in 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\$117,000 (2022: HK\$43,000).

At 31 December 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	115	115
After one year but within two years	71	115
After two years but within three years	—	71
	186	301

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Unlisted equity investments, at fair value — Ahsay Korea Co. Ltd. ("Ahsay Korea")	—	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

18. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2023 HK\$'000	2022 HK\$'000
Current assets		
Trade receivables — aged within 30 days, based on the invoice date	1,864	3,354
Rental and utility deposits	641	275
Prepaid operating expenses and other receivables	1,204	1,526
Total	3,709	5,155
Non-current assets		
Deposits paid	—	421

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, subscription, 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 2023 and 31 December 2022 are set out in note 28.

19. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranged from 0.06% to 5.14% (2022: 0.0625% to 5.53%) per annum as at 31 December 2023 and 2022.

20. OTHER PAYABLES AND ACCRUALS

	2023 HK\$'000	2022 HK\$'000
Accrued staff costs and related expenses	3,586	3,322
Other payables and accrued operating expenses	1,329	1,823
Total	4,915	5,145

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

21. CONTRACT AND OTHER LIABILITIES

	Note	2023 HK\$'000	2022 HK\$'000
Contract liabilities	(a)	13,520	15,078
Others		124	429
Total		13,644	15,507
Current		12,502	14,168
Non-current		1,142	1,339
		13,644	15,507

Note:

(a) DETAILS OF CONTRACT LIABILITIES ARE AS FOLLOWS:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000	1 January 2022 HK\$'000
<i>Advances received from customers</i>			
Software license sales	—	347	184
Software license leasing	461	756	437
Software upgrades and maintenance services	10,139	10,793	13,376
Other services	640	712	485
Information sharing service income	412	416	428
Subscription fees	1,868	2,054	1,198
Total contract liabilities	13,520	15,078	16,108

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 2023 was mainly due to the decrease in advances received from customers. 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 and information sharing service income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

21. CONTRACT AND OTHER LIABILITIES (continued)

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	2023 HK\$'000	2022 HK\$'000
Software license leasing	756	437
Software upgrades and maintenance services	9,617	11,466
Other services	673	485
Information sharing service income	38	96
Subscription fees	1,503	1,103
	12,587	13,587

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.

22. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Total HK\$'000
At 1 January 2022	—	68	68
Credited to profit or loss	(55)	(46)	(101)
Charged to other comprehensive expense	170	—	170
At 31 December 2022 and 1 January 2023	115	22	137
Credited to profit or loss	(3)	(3)	(6)
Gross deferred tax liabilities at 31 December 2023	112	19	131

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. DEFERRED TAX ASSETS/LIABILITIES (continued)

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 2022	—	141	—	141
Charged to profit or loss	—	(141)	—	(141)
At 31 December 2022 and 1 January 2023	—	—	—	—
Credited to profit or loss	170	—	297	467
Gross deferred tax assets at 31 December 2023	170	—	297	467

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:

	2023 HK\$'000	2022 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	355	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	(19)	(137)

The Group has tax losses arising in Hong Kong of approximately HK\$49,602,000 (2022: HK\$50,087,000), 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 Chinese Mainland, South Korea, Taiwan and Singapore of approximately HK\$115,000 (2022: HK\$221,000), Nil (2022: HK\$720,000), Nil (2022: HK\$264,000) and HK\$902,000 (2022: HK\$561,000), respectively, that will expire in one to five years, one year, ten years, and available indefinitely, respectively, for offsetting against future taxable profits.

Except for the recognised the tax losses of HK\$1,800,000 (2022: Nil) arising in Hong Kong, deferred tax assets have not been recognised in respect of the above tax losses as they have 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.

23. 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

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2022 and 31 December 2023	10,000,000,000	100,000
Issued:		
At 31 December 2022 and 31 December 2023	2,000,000,000	20,000

25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Deconsolidation of a subsidiary

In February 2023, the Group entered into an agreement ("Shareholders Agreement") with other shareholders of Ahsay Korea, a then 52.17%-owned subsidiary of the Company, to transfer the control of Ahsay Korea to other shareholders. Pursuant to the Shareholders Agreement, the Group ceased its rights to appoint any director and chairman of Ahsay Korea and ceased its rights to exercise any vote on Ahsay Korea. On the same date, the Group's representatives had also resigned from the board of directors of Ahsay Korea. In the opinion of the directors, the Group has lost control over 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 recognised a gain on deconsolidation of a subsidiary of HK\$2,077,000 during the year. The equity interest of Ahsay Korea and was recognised as an equity investment at fair value through other comprehensive income.

The assets and liabilities of Ahsay Korea as at the date of loss of control were as follows:

	Note	HK\$'000
Assets and liabilities deconsolidated:		
Property, plant and equipment		6
Right-of-use asset		168
Deposits paid		42
Trade and other receivables		504
Bank balances and cash		17
Other payables and accruals		(728)
Contract liabilities		(1,308)
Lease liability		(175)
Other borrowings		(1,888)
Non-controlling interests		1,414
		(1,948)
Release of translation reserve		(129)
		(2,077)
Gain on deconsolidation of a subsidiary	6(b)	2,077
Fair value of equity investment designated at fair value through other comprehensive income		—
Net cash outflow in respect of the deconsolidation of a subsidiary:		
Bank balances and cash deconsolidated		17

Furthermore, in December 2023, the Group had disposed 40,000 ordinary shares, representing 34.78% equity interest of Ahsay Korea, to an independent third party at a consideration of HK\$400. At the end of the reporting period, the Group hold 17.39% equity interest in Ahsay Korea (Note 17).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities from financing activities

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 2023	4,912	1,829
Changes from financing cash flows	(2,337)	—
Deconsolidation of a subsidiary (note 25(a))	(175)	(1,888)
Interest expense	238	7
Interest paid classified as financing cash flows	(238)	(7)
Foreign exchange movement	—	59
At 31 December 2023	2,400	—
	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

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 HK\$'000	2022 HK\$'000
Within operating activities	106	200
Within financing activities	2,337	2,260
	2,443	2,460

26. 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\$612,000 (2022: HK\$799,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. 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 2023, the Group's gearing ratio was zero (2022: 3.4%).

28. 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		Financial assets at fair value through other comprehensive income — Equity investment		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets included in trade and other receivables/ deposits paid	2,550	4,239	—	—	2,550	4,239
Bank balances and cash	62,337	59,727	—	—	62,337	59,727
Equity investments designated at fair value through other comprehensive income	—	—	—	—	—	—
	64,887	63,966	—	—	64,887	63,886

Financial liabilities

	Financial liabilities at amortised cost	
	2023	2022
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	1,329	1,823
Lease liabilities	2,400	4,912
Other borrowings	—	1,829
	3,729	8,564

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS (continued)

b. Fair value and fair value hierarchy of financial instruments

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.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of unlisted equity investments included in equity investments designated at fair value through other comprehensive income have been estimated using adjusted net asset method and are classified under Level 3 of the fair value hierarchy as the valuation involved significant unobservable inputs. The valuation requires the directors to make estimates about the fair value of the assets and liabilities of the underlying entity. An increase in net assets of the underlying entity will increase the fair value of the unlisted equity investments.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

Liabilities measured at fair value:

There were no financial liabilities measured at fair value as at 31 December 2023 and 2022.

c. Financial risk management objectives and policies

The risks associated with the Group's 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. 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 in 2022 (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

(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.

Credit risk and impairment assessment

As at 31 December 2023 and 2022, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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 2023 and 2022, 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. As at 31 December 2023 and 2022, the trade receivables are current and not past due. The assessed expected credit losses was minimal, given there was no history of significant defaults from customers and the impact from forward-looking estimate was insignificant. The grouping is regularly reviewed by management to ensure that relevant information about specific debtors is updated.

During the year ended 31 December 2023, no impairment allowance for trade receivables is provided based on the provision matrix (2022: Nil).

Maximum exposure and year-end staging as at 31 December 2023

	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	—	—	—	1,864	1,864
Financial assets included in other receivables and deposits paid					
— Normal *	686	—	—	—	686
Bank balances and cash					
— Not yet past due	62,337	—	—	—	62,337
	63,023	—	—	1,864	64,887

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. 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		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach 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

* 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.

	Repayable on demand or less than		Total HK\$'000
	1 year HK\$'000	1 to 5 years HK\$'000	
As at 31 December 2023			
Non-derivative financial liabilities			
Financial liabilities included in other payables and accruals	1,329	—	1,329
Lease liabilities	2,520	—	2,520
	3,849	—	3,849
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

29. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 4 September 2015 for the primary purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons 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 2023 and 2022.

30. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party:

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

Name of related company	Nature of transactions	2023 HK\$'000	2022 HK\$'000
Assets Sino Investments (HK) Limited*	Lease payments	2,520	2,520

* 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 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:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	9,490	9,256
Post-employment benefits	90	90
	9,580	9,346

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries held by the Company at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2023	2022	
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	N/A	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#	Chinese Mainland	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 branch 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, sale of hardware devices, and provision of other services

* 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.

^ Ahsay Korea was ceased to be subsidiary of the Company during the year, details of which are included in note 25(a) to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INFORMATION OF THE COMPANY

STATEMENT OF FINANCIAL POSITION

	2023 HK\$'000	2022 HK\$'000
CURRENT ASSETS		
Amounts due from subsidiaries	79,497	79,208
Receivables, deposits and prepayments	156	156
Bank balances and cash	52	55
	79,705	79,419
CURRENT LIABILITIES		
Amounts due to a subsidiary	445	—
	445	—
NET ASSETS	79,260	79,419
CAPITAL AND RESERVES		
Share capital	20,000	20,000
Reserves	59,260	59,419
	79,260	79,419

RESERVES

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	72,435	(12,859)	59,576
Loss for the year and other comprehensive loss	—	(157)	(157)
At 31 December 2022 and 1 January 2023	72,435	(13,016)	59,419
Loss for the year and other comprehensive loss	—	(159)	(159)
At 31 December 2023	72,435	(13,175)	59,260

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				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Results					
Revenue	41,659	44,882	47,874	54,838	59,091
Net profit (loss) for the year	2,618	(2,312)	(16,129)	(4,451)	(530)
	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Assets and liabilities					
Total assets	78,943	81,506	86,206	99,432	107,345
Total liabilities	(21,019)	(27,636)	(29,940)	(26,480)	(30,507)
Total equity	57,924	53,870	56,266	72,952	76,838

Note:

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