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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

This announcement, for which the directors (the "Directors") of Ahsay Backup Software Development Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2017 was approximately HK$57.6 million, representing an increase of approximately 4.9% as compared to that of the corresponding period last year.
- Loss and total comprehensive expense attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$0.7 million, representing a decrease of approximately 94.1% as compared to that of the corresponding period last year.
- Segment profit of approximately HK$9.2 million was recorded from core backup business during the year as compared to a segment loss of approximately HK$8.4 million for the corresponding period last year.
- Segment loss of approximately HK$10.4 million and HK$2.7 million was recorded from information sharing services segment named "KINTIPS" for the year ended 31 December 2017 and 2016 respectively.
- Basic and diluted losses per share was HK$0.03 cents.
- The Board did not recommend payment of any dividend for the year ended 31 December 2017.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of Directors (the "Board") of the Company is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**57,610**	54,912
Cost of inventory sold		**–**	(81)
Other income		**547**	548
Other gains (losses)		**18**	(17)
Staff costs and related expenses		**(42,140)**	(47,986)
Other expenses		**(16,551)**	(17,557)
Finance costs		**(73)**	(333)
Loss before tax		**(589)**	(10,514)
Income tax expense	5	**(91)**	(587)
Loss for the year	6	**(680)**	(11,101)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		**20**	(17)
Other comprehensive income (expense) for the year		**20**	(17)
Total comprehensive expense for the year		**(660)**	(11,118)
Loss per share (HK cents)	8	**(0.03)**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**847**	1,015
Intangible assets		**1,100**	–
Rental deposits paid	9	**504**	470
Deferred tax assets		**84**	–
		2,535	1,485
CURRENT ASSETS			
Inventories		**15**	16
Trade and other receivables	9	**3,737**	4,640
Tax recoverable		**–**	890
Bank balances and cash		**85,888**	95,278
		89,640	100,824
CURRENT LIABILITIES			
Other payables and accruals		**5,440**	7,684
Deposits and fees received in advance		**16,446**	14,599
Bank borrowing		**–**	8,724
Tax payable		**193**	–
		22,079	31,007
NET CURRENT ASSETS		**67,561**	69,817
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,096**	71,302
NON-CURRENT LIABILITIES			
Deposits and fees received in advance		**603**	778
Provision for long service payments		**187**	540
Deferred tax liabilities		**–**	18
		790	1,336
NET ASSETS		**69,306**	69,966
CAPITAL AND RESERVES			
Share capital		**20,000**	20,000
Reserves		**49,306**	49,966
		69,306	69,966

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(note i)*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	20,000	72,435	4,097	(18)	(15,430)	81,084
Loss for the year	–	–	–	–	(11,101)	(11,101)
Other comprehensive expense for the year						
Exchange differences arising on translation of a foreign subsidiary	–	–	–	(17)	–	(17)
Total comprehensive expense for the year	–	–	–	(17)	(11,101)	(11,118)
At 31 December 2016	20,000	72,435	4,097	(35)	(26,531)	69,966
Loss for the year	–	–	–	–	(680)	(680)
Other comprehensive income for the year						
Exchange differences arising on translation of a foreign subsidiary	–	–	–	20	–	20
Total comprehensive income (expense) for the year	–	–	–	20	(680)	(660)
At 31 December 2017	20,000	72,435	4,097	(15)	(27,211)	69,306

Notes:

i. Capital reserve comprises:

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

(b) a credit amount of HK$1,000,000 represents the difference between the par value of the share issued by Alpha Heritage Holdings Limited ("Alpha Heritage"), a wholly owned subsidiary of the Company, and the share capital of Ahsay Systems Corporation Limited ("Ahsay HK"), upon the transfer of 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Ahsay Backup Software Development Company Limited (the "Company") is a public listed company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive PO 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 internet.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

3. APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Apart from the additional disclosure of above, the application of these amendments has had no impact on the Group's consolidated financial statements.

The application of the other amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

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

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

The directors of the Company do not anticipate that the application of the HKFRS 9 will have a material effect on the amounts recognised in the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$3,164,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$523,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

4. 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 service delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

Segment revenue and result

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

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

For the year ended 31 December 2017

	Online backup software and other services *HK$'000*	**Information sharing services** *HK$'000*	**Total** *HK$'000*
Segment revenue – External			
Software license sales and leasing	**32,422**	**–**	**32,422**
Software upgrades and maintenance services fee	**22,665**	**–**	**22,665**
Other services fee	**2,118**	**–**	**2,118**
Information sharing services income	**–**	**405**	**405**
Total revenue	**57,205**	**405**	**57,610**
Segment profit (loss)	**9,198**	**(10,352)**	**(1,154)**
Unallocated incomes and expenses			
Other income			**547**
Other gains			**18**
Loss before tax			**(589)**

For the year ended 31 December 2016

	Online backup software and other services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Segment revenue – External			
Software license sales and leasing	31,707	–	31,707
Software upgrades and maintenance services fee	21,937	–	21,937
Other services fee	1,168	–	1,168
Sale of hardware devices	99	–	99
Information sharing services income	–	1	1
Total revenue	54,911	1	54,912
Segment loss	(8,371)	(2,674)	(11,045)
Unallocated incomes and expenses			
Other income			548
Other losses			(17)
Loss before tax			(10,514)

Segment assets and liabilities

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

For the year ended 31 December 2017

	Online backup software and other services ***HK$'000***	**Information sharing services** ***HK$'000***	**Total** ***HK$'000***
Reportable segment assets			
Segment assets	**6,192**	**95**	**6,287**
Reconciliation:			
Unallocated assets			
Bank balances and cash			**85,888**
Consolidated assets			**92,175**
Segment results			
Reportable segment liabilities			
Segment liabilities	**21,975**	**894**	**22,869**
Consolidated liabilities			**22,869**

For the year ended 31 December 2016

	Online backup software and other services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Reportable segment assets			
Segment assets	6,925	106	7,031
Reconciliation:			
Unallocated assets			
Bank balances and cash			95,278
Consolidated assets			102,309
Segment results			
Reportable segment liabilities			
Segment liabilities	31,989	354	32,343
Consolidated liabilities			32,343

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 not attributable to respective segment.
- all liabilities are allocated to operating segments.

Other segment information

For the year ended 31 December 2017

	Online backup software and other services ***HK$'000***	**Information sharing services** ***HK$'000***	**Total** ***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	**2,648**	**–**	**2,648**
Depreciation and amortisation	**649**	**8**	**657**
Impairment losses on intangible assets	**1,056**	**–**	**1,056**
Loss on disposal of property, plant and equipment	**3**	**–**	**3**

For the year ended 31 December 2016

	Online backup software and other services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	691	31	722
Depreciation	307	4	311

Note: Non-current assets excluded rental deposits paid and deferred tax assets.

Non-current assets by geographical location

The Group's operations are substantially based in Hong Kong and almost all of its non-current assets as at 31 December 2017 and 2016 are located in Hong Kong, the principal place of business of the Group. Therefore, no further analysis of geographical information is presented.

Revenue by geographical location

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

	2017 ***HK$'000***	2016 *HK$'000*
United States	**8,993**	8,656
United Kingdom	**6,259**	5,804
Others *(Note)*	**42,358**	40,452
	57,610	54,912

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

Information about major customers

There was no single customer contributing over 10% of the total revenue of the Group in both years.

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**193**	–
Underprovision in prior years:		
Hong Kong Profits Tax	**–**	264
	193	264
Deferred tax	**(102)**	323
	91	587

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

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

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

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(589)**	(10,514)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(97)**	(1,735)
Tax effect of expenses not deductible for tax purpose	**30**	88
Tax effect of income not taxable for tax purposes	**(81)**	(91)
Tax effect of tax losses not recognised	**1,739**	1,783
Utilisation of tax loss previously not recognised	**(1,219)**	–
Utilisation of deductible temporary differences previously not recognised	**(281)**	–
Tax effect of deductible temporary differences not recognised	**–**	278
Underprovision in prior years	**–**	264
Tax expense for the year	**91**	587

6. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after (crediting) charging:		
Directors' emoluments	**8,366**	8,703
Other staff costs		
– Salaries, allowances and benefits in kind and performance and other bonuses	**33,005**	34,217
– Retirement benefits scheme contribution, excluding directors' contributions	**1,158**	1,222
Long-term employee benefit expenses	**(1,024)**	801
Total directors' and staff costs	**41,505**	44,943
Staff related expenses	**635**	3,043
Staff costs and related expenses	**42,140**	47,986
Research and development costs#		
Amounts incurred	**12,566**	–
Less: capitalised development cost	**(2,419)**	–
Amounts included in staff costs and related expenses	**10,147**	–
Auditor's remuneration*	**900**	1,550
Advertising and marketing expenses*	**4,264**	4,084
Amortisation of intangible assets*	**263**	–
Impairment loss recognised on intangible assets*#	**1,056**	–
Legal and professional fees*	**1,761**	2,805
Depreciation of property, plant and equipment*	**394**	311

* Included in other expenses

\# The Group's research and development expenditure are all employee related costs. In the opinion of the directors of the Company, the employees who are engaged in research and development activities are also responsible for provision of maintenance services to the existing customers of the Group in daily operation.

For the year ended 31 December 2016, the total staff costs attributable to these employees who performed the above functions were approximately HK$13,676,000. Given there is no reliable basis to allocate these staff costs directly attributable to research and development activities, any arbitrary allocation of such expense for disclosure of research and development expense is considered misleading.

For the year ended 31 December 2017, with the update on the Group's internal system interfaces, time spent on the research and development activities can be separated out and allocated to research and development costs. In addition, certain research and development costs are recognised as internally-generated intangible assets during the year.

During the year ended 31 December 2017, research and development costs of HK$2,419,000 for the next version of the Company's core backup product and new backup features options are recognised as internally-generated intangible assets. During the year ended 31 December 2017, the directors of the Company reduced the estimated useful life of these intangibles from three years to one year, and as a result, an impairment loss of HK$1,056,000 was recognised.

7. 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.

8. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic earnings per share		
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(680)**	(11,101)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,000,000**	2,000,000

No diluted loss per share for both years was presented as there were no potential ordinary share in issue for both years.

9. TRADE AND OTHER RECEIVABLES/RENTAL DEPOSITS PAID

	2017	2016
	HK$'000	*HK$'000*
Current assets		
Trade receivables – aged within 30 days	**2,440**	2,730
Rental and utilities deposits	**291**	240
Prepaid operating expenses and other receivables	**1,006**	1,670
Total	**3,737**	4,640
Non-current asset		
Rental deposits paid	**504**	470

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

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

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

BUSINESS REVIEW

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

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

In view of today's fast-paced technological changes and intense competition in the global backup software market, the Group will continue to integrate its business development with market needs to achieve the customized development of products and services. It will timely upgrade its existing products and technology to keep pace with technological advancement, as well as offering outstanding customer services to cater for the changing market needs. To better meet the needs of customers, the Group has introduced certain advanced and new support services during the year. As one of the market leaders in providing online backup software solutions to SMEs worldwide, the Group will continuously dedicate its effort to ensure good quality of products and value-added services being available to customers at all times.

While the Group has continued to improve the quality of its products and support services, a new customer support center in Manila, Philippines has been opened to expand the existing customer support operations during the year. The Group believes such efforts can help strengthen its customer relationships and will ultimately enhance its competitiveness.

Revenue of the Group increased by approximately HK$2.7 million, or 4.9% from approximately HK$54.9 million for the year ended 31 December 2016 to approximately HK$57.6 million for the year ended 31 December 2017.

OUTLOOK

Core Backup Business

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

For the year ended 31 December 2017, the segment profit from core backup business of approximately HK$9.2 million was recorded as compared to the segment loss of approximately HK$8.4 million incurred for the year ended 31 December 2016.

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

Information Sharing Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed an online information sharing platform, which includes a website and a mobile-application both named KINTIPS (堅料) designed to provide information sharing services in Hong Kong. KINTIPS was officially launched in December 2016, and the mobile application can be installed on mobile devices that operate on the Android OS or Apple iOS systems. KINTIPS is a trading platform for horse racing tips in Hong Kong designed for information providers (horse racing tipsters) and subscribers to share information via its website or mobile application.

With advantages of the Group's expertise and experience in the information technology industry, the KINTIPS mobile application is the first step of the Group in exploring new markets in the application industry. It is a brand new channel that allows horse racing tipsters to share their knowledge and views with other horse racing fans. In September 2017, KINTIPS LIMITED launched KINTIPS Football (堅料足球) on its website and mobile application for football fans and football information providers (football tipsters) to share football tips. KINTIPS will be a new source of revenue for the Group. For the year ended 31 December 2017, the revenue contribution of the information sharing platform to the Group was not material.

FINANCIAL REVIEW

Overview

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK$57.6 million, representing an increase of approximately 4.9% as compared to approximately HK$54.9 million for the year ended 31 December 2016. The Group recorded a loss of approximately HK$0.7 million and HK$11.1 million for the year ended 31 December 2017 and 2016 respectively. The narrow in loss was mainly due to the combined effect of (i) increase in revenue resulting from a higher adoption rate of Version 7 and enhancement of our support services and (ii) decrease in the staff costs and related expenses and other expenses by enhancing the efficiency of resources allocation, as compared to that of the corresponding period last year.

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services and other services. Revenue of approximately HK$54.9 million and approximately HK$57.6 million was recognised for the year ended 31 December 2016 and 31 December 2017, respectively, which represents an increase of approximately HK$2.7 million or approximately 4.9%.

The revenue increment for the year ended 31 December 2017 was mainly due to the increase in revenue from (1) other services of approximately HK$1.0 million, (2) software license sales and leasing of approximately HK$0.7 million and (3) software upgrades and maintenance service fee of approximately HK$0.7 million, mainly due to a higher adoption rate of Version 7 and enhancement of our support services.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised of salaries, performance bonuses, directors' fee, MPF contributions, other staff welfare and other related expenses. Staff costs and related expenses decreased by approximately HK$5.9 million or 12.3%, to approximately HK$42.1 million for the year ended 31 December 2017 from approximately HK$48.0 million for the year ended 31 December 2016. The decrease for the year ended 31 December 2017 was mainly due to the decrease in total headcount, staff related expenses and the first-time effect of development cost capitalised which were offset by salaries increment and increase in the number of senior management staff as compared with that of the same period in 2016.

Other Expenses

Other expenses primarily comprised of depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expense and other regular office expenses such as utilities. Other expenses decreased by approximately HK$1.0 million or 5.7%, to approximately HK$16.6 million for the year ended 31 December 2017 from approximately HK$17.6 million for the year ended 31 December 2016. The decrease for the year ended 31 December 2017 was mainly due to the cost control measures during the year.

Finance Costs

Finance costs primarily represented interest expenses on bank borrowings. Finance costs decreased by approximately HK$0.2 million or 66.7%, to approximately HK$0.1 million for the year ended 31 December 2017 from approximately HK$0.3 million for the year ended 31 December 2016. The decrease for the year ended 31 December 2017 was mainly due to repayment of bank borrowing during the year.

Income Tax Expense

Income tax expense decreased by approximately HK$0.5 million or 83.3%, to approximately HK$0.1 million for the year ended 31 December 2017 from approximately HK$0.6 million for the year ended 31 December 2016. The decrease was mainly due to the utilisation of tax loss to offset against taxable profit incurred during the year.

Loss for the Year

The Group recorded a loss of approximately HK$0.7 million and HK$11.1 million for the year ended 31 December 2017 and 2016 respectively. Out of the loss for the year ended 31 December 2017, approximately HK$10.4 million was incurred by KINTIPS, which is offset by the segment profit of approximately HK$9.2 million from the Group's core backup business.

Financial Position, Liquidity and Financial Resources

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

The Group is in a sound financial resource level. As at 31 December 2017, current assets of approximately HK$89.6 million (31 December 2016: approximately HK$100.8 million). The decrease was mainly due to repayment of bank borrowing during the year compared with HK$8.7 million bank borrowing balance as of 31 December 2016. The Group remained at a net cash position as at 31 December 2016 and 2017. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Charges on Assets of the Group

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

Capital Commitments and Contingent Liabilities

As at 31 December 2017, the Group did not have any significant capital commitment (31 December 2016: nil) and contingent liability (31 December 2016: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition and disposal during the year ended 31 December 2016 and 2017.

USE OF PROCEEDS

Reference is made to the Prospectus in relation to the Placing for the Listing. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus. As stated in the section headed "Business Objectives and Future Plans" in the Prospectus, among the net proceeds of approximately HK$77.3 million from the Placing, the Group originally intended to apply the net proceeds in the manner as follows:

- approximately HK$11.1 million for strengthening our software development capabilities;
- approximately HK$7.9 million for broadening our customer base;
- approximately HK$50.6 million for pursuing selective acquisition and partnership; and
- approximately HK$7.7 million for working capital and other general corporate purpose.

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

As at 17 March 2017, the net proceeds of approximately HK$50.6 million allocated for pursuing selective acquisition and partnership has not been utilised by the Group due to the lack of suitable potential acquisition and partnership targets.

As announced on 17 March 2017, the Board has resolved to change the use of net proceeds from the Listing. In order to enhance the allocation of the financial resources and to cope with the continuing development of other businesses of the Group in order to maximise its investment returns, the Board has resolved to change the use of approximately HK$26.2 million originally allocated for pursuing selective acquisition and partnership (the "Unutilised Net Proceeds") as follows:

(i) approximately HK$7.7 million for working capital and other general corporate purpose;

(ii) approximately HK$10.0 million for the development and marketing activities of the Platform which is designed to provide information sharing service in Hong Kong. For more details on the Platform, please refer to the announcement of the Company dated 28 July 2016; and

(iii) approximately HK$8.5 million for the repayment of bank borrowing.

The revised use of net proceeds from the Placing is set out as follows:

Use of proceeds	**Original use of net proceeds** *HK$'000*	**Revised use of net proceeds** *HK$'000*	**As at 31 December 2017 Utilised** *HK$'000*	**As at 31 December 2017 Unutilised** *HK$'000*
1. Strengthen our software development capabilities	11,040	11,040	6,442	4,598
2. Broaden our customer base	7,874	7,874	6,322	1,552
3. Pursue selective acquisition and partnership	50,566	24,361	–	24,361
4. Working capital and other general corporate purpose	7,720	15,440	11,367	4,073
5. Development and marketing activities of the Platform	–	10,000	9,837	163
6. Repayment of bank borrowing	–	8,485	8,485	–
Total	77,200	77,200	42,453	34,747

Save for the aforesaid changes, there is no other change of use of proceeds from the Placing allocated for other purposes as disclosed in the Prospectus.

The Board has considered the impact of the above changes in the use of net proceeds raised from the Listing and is of the view that the change in the use of net proceeds will enable the Group to meet its overall financial needs more efficiently resulting from the latest development of the Group's operation and business. The Board considers that such changes in the use of net proceeds will not adversely affect the operation and business of the Group and is in the best interests of the Company and its Shareholders as a whole.

FINANCIAL MANAGEMENT POLICIES

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

The Group's cash is primarily deposited at banks in Hong Kong and denominated mostly in Hong Kong dollar. As at 31 December 2017, no related hedges were made by the Group (31 December 2016: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Hong Kong dollar, the impact of foreign exchange exposure to the Group during the year ended 31 December 2017 was minimal and there was no significant adverse effect on normal operations.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a workforce of 79 employees (2016: 112). The decrease in number of employees was mainly due to enhancement of workforce efficiency. Total staff costs for the year ended 31 December 2017 was approximately HK$43.9 million before the development cost capitalised, representing a decrease of approximately HK$1.0 million as compared to that of last year.

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 Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes. The emoluments of the Directors are reviewed annually by the remuneration committee of the Board ("Remuneration Committee").

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors ("INEDs")) 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 announcement.

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

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

- the Group is well-committed to maintain good corporate governance practices and procedures; and

- the Group recognises the need to adopt practices that improve itself continuously for a quality management.

Accordingly, the Group is committed to maintaining high standards of corporate governance with a view to 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 emphasise a quality Board for leadership, effective internal controls, transparency and accountability to all Shareholders.

The Group has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the 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 during the year ended 31 December 2017.

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 during the year ended 31 December 2017.

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.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Friday, 27 April 2018 at 9:30 a.m., the AGM notice will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to attend and vote at the AGM, the Company's register of members will be closed from Monday, 23 April 2018 to Friday, 27 April 2018 (both dates inclusive), during which period no transfer of shares of the Company can be registered. In order to be eligible to attend the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 April 2018.

REVIEW BY THE AUDIT COMMITTEE

The Company has established an audit committee of the Board (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems and to provide advice and comments to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkgem.com and the Company's website at http://www.ahsay.com.hk. The annual report of the Company for the year ended 31 December 2017 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Ahsay Backup Software Development Company Limited
Chong King Fan
Chairman and Executive Director

Hong Kong, 9 March 2018

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

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company's website at http://www.ahsay.com.hk.