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)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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 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 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 nine months ended 30 September 2019 was approximately HK$43.7 million, representing a decrease of approximately 5.6% as compared to that of the corresponding period in 2018.

- Loss attributable to owners of the Company for the nine months ended 30 September 2019 was approximately HK$0.7 million, as compared to a profit attributable to owners of the Company of approximately HK$4.9 million for the corresponding period in 2018.

- Segment profit of approximately HK$4.3 million and HK$9.5 million, was recorded from the core backup business for the nine months ended 30 September 2019 and 2018 respectively, representing a decrease of approximately 54.7%.

- Segment loss of approximately HK$5.9 million and HK$3.9 million was recorded from the information sharing services segment named "KINTIPS" for the nine months ended 30 September 2019 and 2018 respectively, representing an increase of approximately 51.3%.

- Basic and diluted loss per share was HK$0.04 cents for the nine months ended 30 September 2019.

- The Board did not recommend payment of any dividend for the nine months ended 30 September 2019.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

The board of Directors (the "**Board**") of the Company hereby announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the nine months ended 30 September 2019 together with the unaudited comparative figures for the corresponding period in 2018 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**14,475**	15,535	**43,711**	46,343
Cost of inventories sold		**—**	—	**(18)**	—
Other income	*5*	**445**	320	**1,250**	795
Other losses		**(7)**	—	**(13)**	(56)
Staff costs and related expenses	*6*	**(10,702)**	(9,375)	**(32,566)**	(30,241)
Other expenses	*7*	**(3,900)**	(3,484)	**(12,348)**	(10,509)
Finance costs	*8*	**(143)**	—	**(356)**	—
(Loss) profit before tax		**168**	2,996	**(340)**	6,332
Income tax expense	*9*	**(449)**	(733)	**(807)**	(1,444)
(Loss) profit for the period		**(281)**	2,263	**(1,147)**	4,888
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**(3)**	(7)	**37**	(11)
Other comprehensive income (expense) for the period		**(3)**	(7)	**37**	(11)
Total comprehensive (expense) income for the period		**(284)**	2,256	**(1,110)**	4,877
(Loss) profit for the period attributable to:					
Owners of the Company		**5**	2,263	**(727)**	4,888
Non-controlling interests		**(286)**	—	**(420)**	—
		(281)	2,263	**(1,147)**	4,888
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		**2**	2,256	**(690)**	4,877
Non-controlling interests		**(286)**	—	**(420)**	—
		(284)	2,256	**(1,110)**	4,877
(Loss) earnings per share					
— Basic (HK cents)	*11*	**—**	0.11	**(0.04)**	0.24

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company							
	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*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2018 (audited)	20,000	72,435	4,097	(15)	(27,211)	69,306	–	69,306
Profit for the period	–	–	–	–	4,888	4,888	–	4,888
Other comprehensive expense for the period								
Exchange differences arising on translation of foreign operations	–	–	–	(11)	–	(11)	–	(11)
Total comprehensive (expense) income for the period	–	–	–	(11)	4,888	4,877	–	4,877
At 30 September 2018 (unaudited)	20,000	72,435	4,097	(26)	(22,323)	74,183	–	74,183
At 1 January 2019 (audited)	20,000	72,435	4,097	(29)	(19,351)	77,152	–	77,152
Loss for the period	–	–	–	–	(727)	(727)	(420)	(1,147)
Other comprehensive income for the period								
Exchange differences arising on translation of foreign operations	–	–	–	37	–	37	–	37
Total comprehensive income (expense) for the period	–	–	–	37	(727)	(690)	(420)	(1,110)
Acquisition of a subsidiary *(note 13(A))*	–	–	–	–	–	–	(209)	(209)
Acquisition of non-controlling interests *(note 13(B))*	–	–	–	–	(664)	(664)	664	–
At 30 September 2019 (unaudited)	20,000	72,435	4,097	8	(20,742)	75,798	35	75,833

Note:

i. Capital reserve comprises:

(a) a debit amount of HK$5,000 representing the difference between the fair value of the consideration paid in the amount of HK$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, 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 interest in CloudBacko BVI and ASCL from the Controlling Shareholders in April 2015;

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited. Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the "**BVI**") with limited liability; and 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, 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 condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below regarding the adoption of new accounting policies, and the changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRS**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2019 are the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2018 of the Company and its subsidiaries (collectively referred to as the "**Group**").

Adoption of new accounting policies

Basis of consolidation

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of 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.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of car park space and offices 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 expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.2 Transition and summary of effects arising from initial application of HKFRS 16

<u>*Definition of a lease*</u>

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of HK$8,496,000 and right-of-use assets of HK$8,567,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.00% per annum.

	At 1 January 2019 *HK$'000* **(unaudited)**
Operating lease commitments disclosed as at 31 December 2018	**9,406**
Lease liabilities discounted at relevant incremental borrowing rate	**8,542**
Less: Recognition exemption — short-term leases	**(46)**
Lease liabilities as at 1 January 2019	**8,496**
Analysed as	
Current	**2,972**
Non-current	**5,524**
	8,496

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		8,496
Adjustments on rental deposits at 1 January 2019	*(a)*	71
		8,567
By class:		
Land and buildings		8,567

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$71,000 was adjusted to refundable rental deposits paid and right-of-use assets. The directors of the Company considered that the discounting effect is immaterial to the accumulated losses as at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000* (audited)	**Adjustments** *HK$'000* (unaudited)	**Carrying amounts under HKFRS 16 at 1 January 2019** *HK$'000* (unaudited)
NON-CURRENT ASSETS			
Rental and utilities deposits paid	520	(71)	449
Right-of-use assets	—	8,567	8,567
CURRENT LIABILITIES			
Lease liabilities	—	2,972	2,972
NON-CURRENT LIABILITIES			
Lease liabilities	—	5,524	5,524

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 resources 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.

During the nine months ended 30 September 2019 and 30 September 2018, segment revenue reported to the CODM was analysed on the basis of the performance obligations recognised by 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, 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 and other losses that are not directly attributable to segments as disclosed in the below table. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

For the nine months ended 30 September 2019 (unaudited)

	Online backup software and related services *HK$'000*	**Information sharing services** *HK$'000*	**Total** *HK$'000*
Segment revenue — External			
Software license sales	**5,236**	**—**	**5,236**
Software license leasing	**19,866**	**—**	**19,866**
Software upgrades and maintenance services fee	**17,275**	**—**	**17,275**
Other services fee	**1,184**	**—**	**1,184**
Sales of hardware devices	**25**	**—**	**25**
Information sharing services income	**—**	**125**	**125**
Total revenue	**43,586**	**125**	**43,711**
Timing of revenue recognition			
At a point in time	**5,310**	**125**	**5,435**
Over time	**38,276**	**—**	**38,276**
	43,586	**125**	**43,711**
Segment profit (loss)	**4,313**	**(5,890)**	**(1,577)**
Unallocated incomes and expenses			
Other income			**1,250**
Other losses			**(13)**
Loss before tax			**(340)**

For the nine months ended 30 September 2018 (unaudited)

	Online backup software and related services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Segment revenue — External			
Software license sales	6,538	—	6,538
Software license leasing	21,097	—	21,097
Software upgrades and maintenance services fee	16,975	—	16,975
Other services fee	1,630	—	1,630
Information sharing services income	—	103	103
Total revenue	46,240	103	46,343
Timing of revenue recognition			
At a point in time	6,606	103	6,709
Over time	39,634	—	39,634
	46,240	103	46,343
Segment profit (loss)	9,526	(3,933)	5,593
Unallocated incomes and expenses			
Other income			795
Other losses			(56)
Profit before tax			6,332

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

Software upgrades and maintenance services are typically provided for a period of one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

During the nine months ended 30 September 2019, the Group had no material change in segment assets and segment liabilities.

5. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**420**	115	**1,151**	754
Interest income on refundable rental deposits	**7**	—	**18**	—
Sundry income	**18**	9	**81**	41
	445	124	**1,250**	795

6. STAFF COSTS AND RELATED EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Directors' emoluments	**2,355**	2,105	**7,064**	6,314
Other staff costs				
— Salaries, allowances and benefits in kind and performance and other bonus	**8,791**	7,585	**25,756**	24,116
— Retirement benefits scheme contributions, excluding directors' retirement contributions	**211**	244	**724**	784
— Long-term employee benefit credit	**(139)**	(245)	**(11)**	(156)
Total directors' and staff costs	**11,218**	9,689	**33,533**	31,058
Less: development costs capitalised	**(711)**	(281)	**(1,555)**	(1,327)
Total directors' and staff cost, net of development costs capitalised	**10,507**	9,408	**31,978**	29,731
Staff related expenses (credit)	**195**	(33)	**588**	510
Staff costs and related expenses	**10,702**	9,375	**32,566**	30,241
Research and development costs included in staff costs and related expenses	**2,771**	2,652	**8,759**	8,549

7. OTHER EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Auditor's remuneration	**275**	200	**675**	600
Advertising and marketing expenses	**482**	592	**1,959**	1,688
Amortisation of intangible assets	**386**	—	**1,159**	264
Legal and professional fees	**339**	302	**1,341**	1,108
Depreciation of property, plant and equipment	**147**	128	**454**	333
Depreciation of right-of-use assets	**729**	—	**2,163**	—
Expenses related to short-term leases	**55**	—	**120**	—
Office rental expenses	**—**	875	**—**	2,526
Rates and property management fee	**130**	121	**387**	364
Merchant credit card charges	**290**	303	**934**	941
Electricity and water	**100**	82	**268**	224
Others	**967**	881	**2,888**	2,461
	3,900	3,484	**12,348**	10,509

8. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest expenses on:				
Lease liabilities	**108**	—	**321**	—
Borrowing	**35**	—	**35**	—
	143	—	**356**	—

9. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
Hong Kong Profits Tax	**372**	680	**783**	1,253
Deferred tax	**77**	53	**24**	191
	449	733	**807**	1,444

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, 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 subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the period ended 30 September 2019 and 2018.

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

10. DIVIDENDS

No dividends were paid, declared or proposed during the nine months ended 30 September 2019 (nine months ended 30 September 2018: nil). The Board has determined that no dividend will be paid in respect of the nine months ended 30 September 2019.

11. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings				
(Loss) earnings for the purpose of basic (loss) earnings per share				
(Loss) profit for the period attributable to owners of the Company	**5**	2,263	**(727)**	4,888

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	'000	*'000*	***'000***	*'000*
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,000,000**	2,000,000	**2,000,000**	2,000,000

No diluted (loss) earnings per share was presented as there was no potential ordinary share outstanding during all periods.

12. RESERVES

Movement in the reserves of the Group during the periods are set out in the condensed consolidated statement of changes in equity on page 4 to this announcement.

13. ACQUISITION OF A SUBSIDIARY

(A) Acquisition of a 28.57% shareholding in Ahsay Korea Co., Ltd ("Ahsay Korea")

On 29 April 2019, the Group's wholly-owned subsidiary, Ahsay HK, entered into a shareholder agreement (the "**Shareholder Agreement**") with Ms. Kim Sun Hee, Ms. Kim Hyeon OK, Mr. Lee Sang Don, Mr. Yu Chulkyun and Mr. Park Sung-IL (collectively known as the "**Existing Shareholders**"), pursuant to which the Group agreed to invest 20,000 ordinary shares ("**Stage 1**") of Ahsay Korea, formerly known as HM Systems Co., Ltd, for a cash consideration amounted to KRW100,000,000 (equivalent to approximately HK$670,000) and the Group will further invested an additional 30,000 ordinary shares of Ahsay Korea for an additional cash consideration amounting to KRW150,000,000 (equivalent to approximately HK$990,000). Immediately upon the completion of Stage 1, the Group held 28.57% of the shares of Ahsay Korea.

Based on the Shareholder Agreement, the Existing Shareholders shall be entitled to appoint two directors and Ahsay HK shall be entitled to appoint two directors. The composition of the board of directors of Ahsay Korea shall consist of four directors. In addition, Ahsay HK has the right to nominate the chairman of the board of directors of Ahsay Korea and the chairman is entitled to a final vote in case of an equality of votes at a board meeting. The directors of the Company concluded that final vote of the chairman is substantive, as it provides Ahsay HK the power over the relevant activities, which are directed by voting rights of the board of directors of Ahsay Korea. On 29 April 2019, Ahsay HK has appointed two directors as board of directors of Ahsay Korea and one of the directors, as the representative of Ahsay HK, is the chairman of Ahsay Korea.

Furthermore, the Shareholder Agreement also states that Ahsay HK and the Existing Shareholders shall ensure that they, their representatives, proxies and agents shall exercise their votes in a manner in compliance with the provisions of the Shareholder Agreement.

As such, Ahsay HK has sufficient dominant voting rights to direct the relevant activities of Ahsay Korea and therefore, the directors of the Company are of the view that the Group has control over Ahsay Korea on 29 April 2019. As a result, the Group applied the acquisition method in accounting for the acquisition of the subsidiary.

Ahsay Korea was previously a distributor of the backup software of the Group in Korea and was acquired by the Group with the objective of expanding and developing the Group's core backup business in Korea.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK$'000
NON-CURRENT ASSETS	
Property, plant and equipment	12
Right-of-use assets	109
Rental deposits paid	38
CURRENT ASSETS	
Trade and other receivables	364
Bank balances and cash	684
CURRENT LIABILITIES	
Other payables and accruals	(232)
Lease liabilities	(49)
Contract liabilities	(217)
Other borrowing	(948)
NON-CURRENT LIABILITIES	
Lease liabilities	(54)
	(293)

The receivables acquired (which principally comprised of trade and other receivables) with a fair value of HK$364,000 at the date of acquisition had gross contractual amounts of HK$364,000. None of the contractual cash flows are not expected to be collected at acquisition date.

Consideration transferred

	HK$'000
Cash	670

Non-controlling interests

The non-controlling interest (71.43%) in Ahsay Korea recognised at the acquisition date was measured by reference to the proportionate share of the identifiable net liabilities of Ahsay Korea and amounted to HK$209,000.

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Consideration transferred	670
Plus: non-controlling interest	(209)
Less: recognised amount of identifiable net liabilities acquired (100%)	293
Goodwill arising on acquisition *(note)*	754

Note: The initial accounting for the acquisition has only been provisionally determined at the end of the current period. At the date of issue of the condensed consolidated financial statements, the purchase price allocation of net liabilities of Ahsay Korea had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair value. The directors of the Company expects that the market valuation of the assets acquired and the liabilities assumed at the date of acquisition would be completed before 31 December 2019 and the Group will then adjust the provisional amounts of goodwill and additional assets or liabilities, if any, to be recognised.

Net cash inflows arising on acquisition

	HK$'000
Consideration paid in cash	670
Less: cash and cash equivalent balances acquired	(684)
	(14)

(B) Acquisition of non-controlling interests

On 30 August 2019, based on the Shareholder Agreements, Ahsay HK further invested an additional 30,000 ordinary shares of Ahsay Korea ("**Stage 2**"), representing an additional 21.43% equity interest of Ahsay Korea, for a consideration of KRW150,000,000 (equivalent to approximately HK$990,000) by way of capital contribution. As at 30 September 2019, the Group held an aggregate of 50% equity interest of Ahsay Korea.

The effect on the equity attributable to the owners of the Company arising on the change in the Group's ownership interest in Ahsay Korea during the period is summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	—
Increase in equity attributable to non-controlling interests	664
Decrease in equity attributable to owners of the Company	(664)

Impact of acquisition on the results of the Group

Ahsay Korea contributed a revenue of HK$923,000 and incurred a loss of HK$104,000 in the period between the date of acquisition and the end of the reporting period.

Had the acquisition of Ahsay Korea been effected at the beginning of the current period, the total amount of revenue of the Group for the nine months ended 30 September 2019 would have been HK$43,804,000, and the amount of the loss for the nine months ended 30 September 2019 would have been HK$1,740,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the current period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Ahsay Korea been acquired at the beginning of the current period, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

14. EVENTS AFTER THE REPORTING PERIOD

On 9 October 2019, Ahsay Service Centre Limited — Representative Office ("**ASCL-RO**"), a representative office of an indirect wholly-owned subsidiary of the Company, and Solid Mills, INC. (the "**Vendor**"), an independent third party, entered into the agreement to sale and purchase pursuant to which ASCL-RO has agreed to acquire and the Vendor has agreed to sell the office units and four parking slots in Manila, Philippines at a consideration of approximately Php50,999,000 (equivalent to approximately HK$7,754,000), inclusive of 12% Value Added Tax. On 9 October 2019, an initial deposit of approximately Php10,200,000 (equivalent to approximately HK$1,550,000) was settled. The completion of the acquisition of office units and parking slots shall take place on or before 15 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

During the nine months ended 30 September 2019 and 2018, the Group recorded revenue of approximately HK$43.7 million and HK$46.3 million respectively, representing a decrease of approximately 5.6%. The Group recorded a loss attributable to owners of approximately HK$0.7 million for the nine months ended 30 September 2019 as compared to a profit attributable to owners of approximately HK$4.9 million for the corresponding period in 2018. The change from profit to loss was mainly attributable to (i) the decrease in revenue derived from customers leasing under the software license of the older version of Ahsay™ Backup Software — Version 6 ("**Version 6**") which its end of life was in late 2018, (ii) the decrease in revenue derived from sales of license a result of fewer bulk purchase from customers, (iii) the increase in staff cost as a result of the increase in number of headcount for the expansion of new office in the Philippines, (iv) the increase in operating expenses mainly derived from increase in legal and professional fees, advertising and marketing expenses and amortisation of intangible assets, and (v) loss derived from the newly acquired subsidiary for the future development in Korea which is currently in investment stage, as compared to that of the corresponding period in 2018.

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$43.7 million and HK$46.3 million was recognised for the nine months ended 30 September 2019 and 2018 respectively, which represents a decrease of approximately 5.6%.

The decrease in revenue for the nine months ended 30 September 2019 was mainly due to the decrease in revenue from software license leasing and sales of license of approximately HK$1.2 million and HK$1.3 million respectively as a result of the end of life of Version 6 in late 2018 and fewer bulk purchase from customers compared with the same period in 2018.

Other Income

Other income increased by approximately HK$0.4 million or 50.0%, to approximately HK$1.2 million for the nine months ended 30 September 2019 from approximately HK$0.8 million for the nine months ended 30 September 2018. The increase in other income for the nine months ended 30 September 2019 was mainly due to the increase in bank interest income as a result of the combined effects of the increase in the average interest rate and more funds placed in the time deposits compared with the same period in 2018.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses increased by approximately HK$2.4 million or 8.0%, to approximately HK$32.6 million for the nine months ended 30 September 2019 from approximately HK$30.2 million for the nine months ended 30 September 2018. The increase in staff costs and related expenses for the nine months ended 30 September 2019 was mainly due to the combined effects of (i) the increase in headcount in the Philippines, (ii) staff cost derived from the newly acquired subsidiary in Korea, and (iii) salaries increment partially offset by (iv) the increase in development cost capitalised as compared with the same period in 2018.

Other Expenses

Other expenses primarily comprised depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees and other regular office expenses such as utilities. Other expenses increased by approximately HK$1.8 million or 17.1%, to approximately HK$12.3 million for the nine months ended 30 September 2019 from approximately HK$10.5 million for the nine months ended 30 September 2018. The increase in other expenses for the nine months ended 30 September 2019 was mainly due to (i) the increase in advertising and marketing expenses, legal and professional fees and amortisation of intangible assets, and (ii) other expenses derived from the newly acquired subsidiary in Korea as compared with the same period in 2018.

Finance Costs

The Group recognised finance costs of approximately HK$0.4 million for the nine months ended 30 September 2019. It mainly represents the interest expense on lease liabilities being recognised as a result of the adoption of HKFRS 16 since 1 January 2019.

Income Tax Expenses

The Group recorded income tax expenses of approximately HK$0.8 million for the nine months ended 30 September 2019. The decrease in income tax expenses was mainly due to the decrease in generation of assessable profits during the period as compared with the same period in 2018.

(Loss) Profit for the Period

The Group recorded a loss of approximately HK$1.1 million for the nine months ended 30 September 2019 as compared to a profit of approximately HK$4.9 million for the corresponding period in 2018. Among the loss for the nine months ended 30 September 2019, approximately HK$4.3 million pre-tax profit was generated by the Group's core backup business, which was offset by the segment loss of approximately HK$5.9 million incurred from KINTIPS.

Financial Position, Liquidity and Financial Resources

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

The Group is in a sound financial resource level. As at 30 September 2019, the Group's current assets were approximately HK$89.9 million (31 December 2018: approximately HK$93.2 million). The Group remained at a net cash position as at 30 September 2019 and 2018, 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 30 September 2019, there was no charge on assets of the Group (31 December 2018: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 30 September 2019, 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 30 September 2019, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 1.3% (31 December 2018: Nil). The increase was mainly attributable to the borrowing from newly acquired subsidiary during the nine months ended 30 September 2019.

Capital Commitments and Contingent Liabilities

As of 30 September 2019, the Group did not have any significant capital commitment (31 December 2018: nil) and contingent liability (31 December 2018: nil). Save as disclosed in note 14 to the condensed consolidated financial statements, the Group did not have plans for material investments or purchases of capital assets in the near term.

Segmental Information

An analysis of the Group's performance for the nine months ended 30 September 2019 by business segment is set out in note 4 to the condensed consolidated financial statements.

Material Acquisitions and Disposals

To further expand and develop its core backup business in Korea, on 29 April 2019, Ahsay Systems Corporation Limited ("**Ahsay HK**"), an indirect wholly-owned subsidiary of the Company and, existing shareholders of Ahsay Korea Co., Ltd. ("**Ahsay Korea**"), independent third parties, entered into a shareholder agreement pursuant to which Ahsay HK agreed to make a capital contribution of KRW100 million (equivalent to approximately HK$670,000) for 20,000 ordinary shares of Ahsay Korea ("**Stage 1**") representing 28.57% of the shareholding of Ahsay Korea and further make a capital contribution of KRW150 million (equivalent to approximately HK$990,000) for 30,000 ordinary shares of Ahsay Korea ("**Stage 2**") representing 21.43% of the shareholding of Ahsay Korea conditionally.

With the completion of Stage 1 and Stage 2 on 29 April 2019 and 30 August 2019, the Group acquired 28.57% and an additional 21.43% equity interest in Ahsay Korea by way of capital contribution respectively. Accordingly, the equity interest of the Group in Ahsay Korea increased from 28.57% to 50.00%.

For further information, please refer to the announcement of the Company dated 29 April 2019. As at the date of this announcement, the total capital contribution of KRW250 million (equivalent to approximately HK$1,660,000) was fully settled.

Save as disclosed above, there was no other material acquisition or disposal during the nine months ended 30 September 2019 and 2018, respectively.

Events after the Reporting Period

Save as disclosed in note 14 to the condensed consolidated financial statements, the Group had no other material event after the reporting period. For further details of the acquisition of office units and parking slots disclosed in note 14 to the condensed consolidated financial statements, please refer to the announcement of the Company dated 9 October 2019 and 14 October 2019.

Use of Proceeds

Reference is made to the prospectus of the Company dated 25 September 2015 (the "**Prospectus**") and the respective announcement of the Company dated 17 March 2017 and 5 August 2018 in relation to the first and second change in use of proceeds from listing of the Company's shares on GEM (collectively, the "**1st Change and 2nd Change in Use of Proceeds Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 1st and 2nd Change in Use of Proceeds Announcement.

On 12 August 2019, unutilised proceeds of approximately HK$10.2 million were 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.

In order to enhance the allocation of the financial resources and to cope with the continuing development and operations of the businesses of the Group so as to maximise its investment returns, the Board has resolved to the third change in use of proceeds (the "**3rd Change**") in the amount of approximately HK$10.2 million originally allocated for pursuing selective acquisition and partnership as follows:

(i) approximately HK$4.2 million for working capital and other general corporate purpose; and

(ii) approximately HK$6.0 million for the purchase of office units in Manila, Philippines.

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

Use of proceeds	Original use of net proceeds	Revised use of net proceeds as disclosed in: the 1st Change in Use of Proceeds	the 2nd Change in Use of Proceeds	the 3rd Change in Use of Proceeds	Utilised amount as at the date of this announcement	Unutilised amount as at the date of this announcement
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1. Strengthen our software development capabilities	11,040	11,040	11,040	11,040	11,040	—
2. Broaden our customer base	7,874	7,874	7,874	7,874	7,874	—
3. Pursue selective acquisition and partnership	50,566	24,361	10,841	670	670	—
4. Working capital and other general corporate purpose	7,720	15,440	23,160	27,331	25,035	2,296
5. Development and marketing activities of the Platform	—	10,000	13,000	13,000	13,000	—
6. Repayment of bank borrowing	—	8,485	8,485	8,485	8,485	—
7. Purchase of office units in Manila, Philippines	—	—	2,800	8,800	4,350	4,450
Total	**77,200**	**77,200**	**77,200**	**77,200**	**70,454**	**6,746**

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 1st and 2nd Change in Use of Proceeds Announcement.

Having considered the impact of the above change in the use of net proceeds from the Placing and, the Board is of the view that the 3rd Change in the use of net proceeds will enable the Group to better meet its overall financial needs efficiently to support the latest development of the Group's operation and business. The Board considers that such change 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 the shareholders of the Company as a whole.

BUSINESS REVIEW

Increasing adoption of data backup software and various cloud-based technologies by various industries are major factors boosting growth of the global data backup software market nowadays. In view of the potential risk of hardware failure, data breach and human error, more and more businesses have increased their investment in data backup systems. On the other hand, the market competition of global data backup software is constantly growing higher with the rise in technological innovation and similar data backup products. The Group has timely upgraded its existing products and launched the new version of Ahsay™ Backup Software — Version 8 ("**Version 8**") in January 2019.

In view of the end of life of the older version of Ahsay™ Backup Software — Version 6 in late 2018 and fewer bulk purchase from customers during the period, revenue of the Group decreased by approximately HK$2.6 million or 5.6% from approximately HK$46.3 million for the nine months ended 30 September 2018 to approximately HK$43.7 million for the nine months ended 30 September 2019.

Meanwhile, the Group had made various changes with the vision to equip and strengthen itself for its future business developments.

In February 2019, Ahsay Systems Corporation Limited ("**Ahsay HK**") entered into a memorandum of understanding (the "**MOU**") with Orangetech Co., Ltd. ("**Orangetech**"), a company incorporated in the Republic of Korea ("**Korea**"). Orangetech is an information technology company.

Pursuant to the MOU, Ahsay HK and Orangetech intend to share strategic recognition of creating new business opportunities by building a cooperative relationship and by providing value to customers for security backup solution business mainly in the public sector.

The Group principally engages in sales to the customers through its sales websites. However, the Group intends to expand its business by arranging additional distribution channels for offering its products to customers. With Orangetech as a distributor of the Group in Korea under the MOU, it is a good opportunity for the Group to expand its distribution channel as well as to increase its market share in Korea.

Since April 2019, the Group has stepped up its effort to expand to international market in order to achieve a higher market share and revenue growth. On 29 April 2019, Ahsay HK and existing shareholders of Ahsay Korea Co., Ltd. ("**Ahsay Korea**") (formerly known as HM Systems Co., Ltd.), a company incorporated in Korea, entered into a shareholder agreement pursuant to which Ahsay HK has agreed to make a capital contribution of KRW100 million for 20,000 ordinary shares of Ahsay Korea ("**Stage 1**") and will further make a capital contribution of KRW150 million for 30,000 ordinary shares of Ahsay Korea ("**Stage 2**") conditionally.

Ahsay Korea is an IT solutions provider in Korea. Through Ahsay Korea, the Group can further expand and develop its core backup business in Korea and further improve the Group's profitability and promote sustainable development of the Group in the long run.

With the completion of Stage 1 on 29 April 2019, the Group acquired 28.57% equity interest of Ahsay Korea and has management control over Ahsay Korea. On 30 August 2019, Stage 2 was completed and the shareholding of the Group in Ahsay Korea was increased from 28.57% to 50.00%. Up to the date of this announcement, a total of KRW250 million (equivalent to approximately HK$1,660,000) was fully settled.

Apart from the expansion of market in Korea, the Group planned to further develop its existing operations in the Philippines. To accommodate additional staff for its future operations, the Group purchased additional office units in the Philippines for its own use as office. On 9 October 2019, Ahsay Service Centre Limited — Representative Office ("**ASCL-RO**"), a representative office of an indirect wholly-owned subsidiary of the Group, and Solid Mills, INC. ("**Vendor**"), an independent third party, entered into the agreement to sell and purchase, pursuant to which ASCL-RO agreed to acquire and the Vendor agreed to sell the office units and four parking slots in Manila, Philippines. The completion of the acquisition of office units and parking slots shall take place on or before 15 January 2020.

OUTLOOK

Core Backup Business

To achieve customised development of products and keep pace with technological advancement, Version 8 was launched in January 2019. Version 8 incorporates various new features including SharePoint Online Backup etc. and has enhanced the existing Office 365 backup features which can cover all types of data backups for Office 365. With efficient enhancement of the functionalities of its various products, it would provide better user experience.

The Group will continually focus on developing and providing further value added features and services to its existing customers while staying alert on the market trends and needs so as to create a competitive edge over our products.

Looking forward, the Group will dedicate significant resources to continue the development of new features and the improvement in the usability of Ahsay™ Backup Software with customer value orientated focus. It is believed that such focus on customer value would enhance the Group's market share in the backup software sector in the 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. KINTIPS is a trading platform for horse racing tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website and mobile application which can be installed on mobile devices that operate on the Android OS or Apple iOS systems.

In December 2018, KINTIPS LIMITED has launched another website and mobile-application named KINBOY (堅仔) which is an online all-in-one platform for horse racing information. In October 2019, a new subscription business model of KINBOY has been launched. The service is tiered and structured such that free members can access the latest race cards, results and dividends, entrylist, chance table of horse racing and other detailed information such as finesse of horse, odds trend and forecast of first two races for catch-up viewing; paid members can access detailed information of full day races for subscription. The mobile application of KINBOY can be installed on mobile devices that operate on the Android OS, Apple iOS and Windows OS.

In a fast paced world nowadays, mobile devices have become the first choice for every user to browse and interact online. With the Group's experience in the information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify into the mobile-application industry. For the nine months ended 30 September 2019, the revenue contribution of the information sharing platform to the Group was not material.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 September 2019, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

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

Notes:

1. As at 30 September 2019, the Company had 2,000,000,000 Shares in issue.

2. As at 30 September 2019, All Divine Investments Limited ("**All Divine**") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited ("**Able Future**") which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 30 September 2019, the Company had 2,000,000,000 Shares in issue.

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

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

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

Save as disclosed above, as at 30 September 2019, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this announcement, at no time during the nine months ended 30 September 2019 and up to the date of this announcement, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Directors' and Controlling Shareholders' Interest in Competing Business

For the nine months ended 30 September 2019, the Directors are 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.

Compliance with the Code of Conduct for Directors' Securities Transactions

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors for the nine months ended 30 September 2019.

Compliance with the Code on Corporate Governance

The Company is committed to achieve high standards of corporate governance with a view to safeguarding the interests of its shareholders. The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2019.

Share Option Scheme

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

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

During the nine months ended 30 September 2019 and up to the date of this announcement, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Review by the Audit Committee

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

The third quarterly financial information of the Group for the nine months ended 30 September 2019 has not been audited. The Audit Committee has reviewed with management on the third quarterly financial information of the Group for the nine months ended 30 September 2019, the third quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee was satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 1 November 2019

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 Listed 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.