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 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 year ended 31 December 2019 was approximately HK$59.1 million, representing a decrease of approximately 6.2% from approximately HK$63.0 million for the prior year.

- Profit attributable to owners of the parent for the year ended 31 December 2019 was approximately HK$0.1 million, representing a decrease of approximately 98.7% from approximately HK$7.9 million for the prior year.

- Segment profit of approximately HK$6.0 million and HK$14.5 million, was recorded from core backup business for the year ended 31 December 2019 and 2018 respectively, representing a decrease of approximately 58.6%.

- Segment loss of approximately HK$7.1 million and HK$5.5 million, was recorded from information sharing services segment named "KINTIPS" for the year ended 31 December 2019 and 2018 respectively, representing an increase of approximately 29.1%.

- Basic and diluted earnings per share were HK$0.01 cent for the year ended 31 December 2019.

- The Board did not recommend payment of any dividend for the year ended 31 December 2019.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of Directors (the "Board") of the Company hereby announce the following consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	*3*	**59,091**	63,014
Cost of inventories sold		**(18)**	(18)
Other income	*4*	**1,705**	1,199
Other losses		**(31)**	(48)
Staff costs and related expenses	*5*	**(43,013)**	(39,500)
Other expenses	*6*	**(16,692)**	(14,489)
Finance costs	*7*	**(477)**	—
Profit before tax		**565**	10,158
Income tax expenses	*8*	**(1,095)**	(2,298)
(Loss) profit for the year		**(530)**	7,860
Attributable to:			
Owners of the parent		**111**	7,860
Non-controlling interests		**(641)**	—
		(530)	7,860
Other comprehensive income (expense)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**139**	(14)
Other comprehensive income (expense) for the year		**139**	(14)
Total comprehensive (expense) income for the year		**(391)**	7,846
Attributable to:			
Owners of the parent		**257**	7,846
Non-controlling interests		**(648)**	—
		(391)	7,846
Earnings per share attributable to ordinary equity holders of the parent			
— Basic and diluted (HK cent)	*10*	**0.01**	0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,532**	3,531
Right-of-use assets		**5,787**	—
Goodwill	*12*	**754**	—
Other intangible assets		**3,647**	3,091
Deferred tax asset		**158**	—
Deposits paid	*11*	**2,102**	520
		15,980	7,142
CURRENT ASSETS			
Inventories		**17**	14
Trade and other receivables	*11*	**4,691**	3,936
Bank balances and cash		**86,538**	89,296
		91,246	93,246
CURRENT LIABILITIES			
Other payables and accruals		**6,825**	6,586
Contract liabilities		**13,219**	14,830
Lease liabilities		**2,894**	—
Other borrowings		**1,340**	—
Tax payable		**1,910**	767
		26,188	22,183
NET CURRENT ASSETS		**65,058**	71,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**81,038**	78,205
NON-CURRENT LIABILITIES			
Contract and other liabilities		**978**	802
Lease liabilities		**2,980**	—
Deferred tax liabilities		**361**	251
		4,319	1,053
NET ASSETS		**76,719**	77,152
EQUITY			
Equity attributable to owners of the parent			
Share capital		**20,000**	20,000
Reserves		**56,668**	57,152
		76,668	77,152
Non-controlling interests		**51**	—
Total equity		**76,719**	77,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital *HK$'000*	Share premium *HK$'000*	Capital and other reserves *HK$'000* *(note i)*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018	20,000	72,435	4,097	(15)	(27,211)	69,306	—	69,306
Profit for the year	—	—	—	—	7,860	7,860	—	7,860
Other comprehensive expense for the year								
Exchange differences arising on translation of foreign operations	—	—	—	(14)	—	(14)	—	(14)
Total comprehensive (expense) income for the year	—	—	—	(14)	7,860	7,846	—	7,846
At 31 December 2018	20,000	72,435	4,097	(29)	(19,351)	77,152	—	77,152
Profit (loss) for the year	—	—	—	—	111	111	(641)	(530)
Other comprehensive income (expense) for the year								
Exchange differences arising on translation of foreign operations	—	—	—	146	—	146	(7)	139
Total comprehensive income (expense) for the year	—	—	—	146	111	257	(648)	(391)
Acquisition of a subsidiary *(note 12)*	—	—	—	—	—	—	(209)	(209)
Acquisition of non-controlling interests	—	—	(741)	—	—	(741)	741	—
Capital Contribution from non-controlling interests	—	—	—	—	—	—	167	167
At 31 December 2019	20,000	72,435	3,356	117	(19,240)	76,668	51	76,719

Note:

i. Capital and other reserves comprise:

(a) a debit amount of HK$5,000 representing the difference between the fair value of the consideration paid in the amount of HK$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, 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 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.

(e) a debit amount of HK$741,000 representing the difference between the amount by which the non-controlling interests are adjusted before and after the additional capital contribution from Ahsay HK.

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 and its shares were listed on the GEM of The Stock Exchange of Hong Kong (the "Stock Exchange"). Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the "BVI") with limited liability; and 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 the internet.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28 and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK (SIC)-Int 15 *Operating Leases — Incentives* and HK (SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for offices, car parking spaces and a motor vehicle used in its operations. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets, except for short-term leases, were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	8,567
Decrease in rental and utilities deposits paid	(71)
Increase in total assets	8,496
Liabilities	
Increase in lease liabilities	8,496

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 lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	9,406
Less: Commitments relating to short-term leases	(46)
	9,360
Weighted average incremental borrowing rate as at 1 January 2019	5%
Lease liabilities as at 1 January 2019	8,496

(b) HK (IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

Online backup software and related services segment	— Software license sales and leasing, provision of software upgrades and maintenance services, sale of hardware devices, and provision of other services
Information sharing services segment	— Provision of information sharing and subscription 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 the 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 2019

	Online backup software and related services	**Information sharing services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue — External			
Software license sales	**7,713**	**—**	**7,713**
Software license leasing	**26,040**	**—**	**26,040**
Software upgrades and maintenance services fee	**23,492**	**—**	**23,492**
Other services fee	**1,555**	**—**	**1,555**
Sale of hardware devices	**25**	**—**	**25**
Information sharing service income	**—**	**154**	**154**
Subscription fees	**—**	**112**	**112**
Total revenue	**58,825**	**266**	**59,091**
Timing of revenue recognition			
At a point in time	**7,808**	**154**	**7,962**
Over time	**51,017**	**112**	**51,129**
	58,825	**266**	**59,091**
Segment profit (loss)	**6,025**	**(7,134)**	**(1,109)**
Unallocated incomes and expenses			
Other income			**1,705**
Other losses			**(31)**
Profit before tax			**565**

For the year ended 31 December 2018

	Online backup software and related services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Segment revenue — External			
Software license sales	9,578	—	9,578
Software license leasing	27,861	—	27,861
Software upgrades and maintenance services fee	23,283	—	23,283
Other services fee	2,088	—	2,088
Sale of hardware devices	25	—	25
Information sharing service income	—	179	179
Total revenue	62,835	179	63,014
Timing of revenue recognition			
At a point in time	9,694	179	9,873
Over time	53,141	—	53,141
	62,835	179	63,014
Segment profit (loss)	14,520	(5,513)	9,007
Unallocated incomes and expenses			
Other income			1,199
Other losses			(48)
Profit before tax			10,158

Performance obligation

Software license sales

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

Software license leasing

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

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

Software upgrades and maintenance services and certain types of other services

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

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.

Sale of hardware devices

The performance obligation of sale of hardware devices is satisfied upon delivery of the hardware devices and payment is generally due from the date of billing

Information sharing service income and certain types of other services

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

Subscription fee

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

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 2019

	Online backup software and related services *HK$'000*	**Information sharing services** *HK$'000*	**Total** *HK$'000*
Reportable segment assets			
Segment assets	**20,515**	**173**	**20,688**
Reconciliation:			
Unallocated assets			
Bank balances and cash			**86,538**
Consolidated assets			**107,226**
Reportable segment liabilities			
Segment liabilities	**29,747**	**760**	**30,507**
Consolidated liabilities			**30,507**

For the year ended 31 December 2018

	Online backup software and related services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Reportable segment assets			
Segment assets	11,036	56	11,092
Reconciliation:			
Unallocated assets			
Bank balances and cash			89,296
Consolidated assets			100,388
Reportable segment liabilities			
Segment liabilities	22,678	558	23,236
Consolidated liabilities			23,236

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

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

Other segment information

For the year ended 31 December 2019

	Online backup software and related services ***HK$'000***	**Information sharing services** ***HK$'000***	**Total** ***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure *(Note)*	**4,105**	**26**	**4,131**
Depreciation and amortisation	**5,021**	**13**	**5,034**

For the year ended 31 December 2018

	Online backup software and related services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure *(Note)*	5,417	—	5,417
Depreciation and amortisation	734	8	742

Note: Capital expenditure consists of additions to property, plant and equipment, deposits paid for purchases of office premise, intangible assets, including property, plant and equipment from the acquisition of a subsidiary.

Non-current assets by geographical location

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

	2019 ***HK$'000***	2018 *HK$'000*
Hong Kong	**10,690**	3,729
Philippines	**4,500**	2,893
Korea	**102**	—
	15,292	6,622

Non-current assets exclude rental and utilities deposits paid and deferred tax asset.

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:

	2019 ***HK$'000***	2018 *HK$'000*
United States	**8,243**	8,374
United Kingdom	**5,848**	6,448
Others *(Note)*	**45,000**	48,192
	59,091	63,014

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

Information about major customers

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

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**1,581**	1,133
Interest income on refundable rental deposits	**24**	—
Sundry income	**100**	66
	1,705	1,199

5. STAFF COSTS AND RELATED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Directors' emoluments	**9,581**	8,752
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonus	**33,512**	31,183
— Retirement benefits scheme contributions, excluding directors' retirement contributions	**1,030**	1,003
Total directors' and staff costs	**44,123**	40,938
Less: Development costs capitalised	**(2,101)**	(2,255)
Total directors' and staff costs, net of development cost capitalised	**42,022**	38,683
Staff-related expenses	**991**	817
Staff costs and related expenses	**43,013**	39,500
Research and development costs included in staff costs and related expenses	**11,683**	10,492

6. OTHER EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**800**	800
Advertising and marketing expenses	**2,763**	2,521
Amortisation of other intangible assets	**1,545**	264
Legal and professional fees	**1,652**	1,360
Depreciation of property, plant and equipment	**600**	478
Depreciation of right-of-use assets	**2,889**	—
Expenses related to short-term leases	**175**	—
Minimum lease payments under operating leases	**—**	3,314
Rates and property management fee	**517**	493
Merchant credit card charges	**1,360**	1,360
Electricity and water	**350**	310
Others	**4,041**	3,589
	16,692	14,489

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on:		
Lease liabilities	**428**	—
Borrowings	**49**	—
	477	—

8. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,158**	1,994
Overprovision in prior years:		
Hong Kong Profits Tax	**(15)**	(31)
	1,143	1,963
Deferred tax	**(48)**	335
	1,095	2,298

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

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 subjected 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 subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2019 and 2018, respectively.

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

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

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

	2019 ***HK$'000***	2018 *HK$'000*
Profit before tax	**565**	10,158
Tax at the Hong Kong Profits Tax rate of 16.5%	**93**	1,676
Different in tax rate for specific provinces or enacted by local authority	**68**	—
Tax effect of expenses not deductible for tax purpose	**86**	59
Tax effect of income not taxable for tax purposes	**(264)**	(187)
Tax effect of tax losses not recognised	**1,292**	990
Utilisation of tax loss previously not recognised	**—**	(42)
Utilisation of deductible temporary differences previously not recognised	**—**	(2)
Overprovision in prior years	**(15)**	(31)
Income tax at concessionary rate	**(165)**	(165)
Income tax expenses for the year	**1,095**	2,298

9. 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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to ordinary equity holders of the parent	**111**	7,860

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	2,000,000

The Group has no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES/DEPOSITS PAID

	Note	**31 December 2019** ***HK$'000***	**1 January 2019** ***HK$'000***	31 December 2018 *HK$'000*
Current assets				
Trade receivables — aged within 30 days		**2,498**	**2,536**	2,536
Rental and utility deposits		**550**	**330**	330
Prepaid operating expenses and other receivables		**1,643**	**1,070**	1,070
Total		**4,691**	**3,936**	3,936
Non-current asset				
Deposits paid	*(a)*	**2,102**	**449**	520

As at 31 December 2019 and 1 January 2019, trade receivables from contracts with customers amounted to HK$2,498,000 and HK$2,536,000, respectively.

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

For the review of credit risk of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date when credit is initially granted up to the end of the reporting period.

Note:

(a) As a result of the initial application of HKFRS 16, refundable rental deposits of HK$71,000 previously included in "Deposit paid" were adjusted to the Rights-of-use asset recognised at 1 January 2019 (refer to note 2.2(a) for further detail).

12. BUSINESS COMBINATION

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 subscribe to 20,000 ordinary shares of Ahsay Korea Co., Ltd ("Ahsay Korea"), formerly known as HM Systems Co. Ltd, for a cash consideration amounting to KRW100,000,000 (equivalent to approximately HK$670,000) and the Group will further invest in an additional 30,000 ordinary shares of Ahsay Korea for an additional cash consideration amounting to KRW150,000,000 (equivalent to approximately HK$1,005,000). As at the date of acquisition, the Group held 28.57% of the shares of Ahsay Korea.

Thereafter, the Group has further invested additional ordinary shares of Ahsay Korea to an aggregate cash consideration amounting to KRW300,000,000 (equivalent to approximately HK$2,022,000). As at 31 December 2019, the Group held 52.17% of the shares of Ahsay Korea.

Based on the Shareholder Agreement, the composition of the board of directors of Ahsay Korea shall consist of four directors and the Existing Shareholders shall be entitled to appoint two directors and Ahsay HK shall be entitled to appoint two 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. As at 31 December 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 one of the Group's distributor of the backup software in Korea and was acquired by the Group with the objective of expanding and developing the Group's core backup business in Korea.

The provisional fair values of the identifiable assets and liabilities of Ahsay Korea as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition
	HK$'000
Property, plant and equipment	12
Right-of-use assets	109
Rental deposits paid	38
Trade and other receivables	364
Cash and bank balances	684
Other payables and accruals	(232)
Lease liabilities	(103)
Contract liabilities	(217)
Other borrowings	(948)
Total identifiable net liabilities at fair value	(293)
Non-controlling interests	209
Provisional goodwill on acquisition	754
Satisfied by cash	670

The goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing a valuation to assess the fair values of the identifiable assets acquired and liabilities assumed.

The provisional fair values recognised on acquisition as shown above may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

The directors of the Company consider the acquisition of Ahsay Korea as an effort to expand the distribution network of the Group's core backup business in Korea and the goodwill on acquisition pertains to, but is not limited to, the expected incremental values and potential synergies for the expansion plans of the Group.

The provisional fair values of the trade and other receivables of Ahsay Korea at the date of acquisition approximate to their gross contractual amounts and the directors of the Company do not expect any significant acquired receivables to be uncollectible.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group incurred transaction costs of HK$62,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

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.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(670)
Cash and bank balances acquired	684
	14

Since the acquisition, Ahsay Korea contributed HK$1,401,000 to the Group's revenue and HK$915,000 to the consolidated loss for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$59,125,000 and HK$1,212,000, respectively. 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 reporting 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 reporting period, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

13. EVENT AFTER THE REPORTING PERIOD

On 9 October 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire certain office units and parking slots in Manila, the Philippines for its own use as office. The total consideration was approximately PHP60.0 million (equivalent to approximately HK$7.8 million), inclusive of 12% value added tax. An initial deposit of approximately PHP10.2 million (equivalent to approximately HK$1.5 million) was paid on 9 October 2019. The transaction was completed on 15 January 2020.

BUSINESS REVIEW

Under a challenging operating environment in 2019, the Group has reinforced its globalization strategy and explored the diversified business opportunities. 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 ("Version 6") for license leasing in late 2018 and fewer bulk purchase from customers during the year, revenue of the Group decreased by approximately HK$3.9 million or 6.2% from approximately HK$63.0 million for the year ended 31 December 2018 to approximately HK$59.1 million for the year ended 31 December 2019.

We are fine-tuning our product features and distribution channels to adapt to market changes. We are also working together with our customers to resolve these business obstacles in a partnership-like manner in order to improve the customer experience and create customer value for our products.

Meanwhile, the Group had made various changes with our vision to equip and strengthen itself for its future business developments, actively seeking for opportunities to expand its revenue sources, as well as boosting its overall long-term profitability by seizing business opportunities.

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 to offer its products to customers. With Orangetech as a distributor of the Group in Korea under the MOU, it provides the Group 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 the international market in order to achieve a higher market share and revenue growth. On 29 April 2019, Ahsay HK and the 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 subscribe to 20,000 ordinary shares of Ahsay Korea for a cash consideration amounted to KRW100 million (equivalent to approximately HK$0.7 million) and the Group will further invest in an additional 30,000 ordinary shares of Ahsay Korea for an additional cash consideration amounting to KRW150 million (equivalent to approximately HK$1 million). As at the date of acquisition, the Group held 28.57% of the shares of Ahsay Korea.

Thereafter, the Group has further invested in additional ordinary shares of Ahsay Korea to an aggregate cash consideration amounting to KRW300 million (equivalent to approximately HK$2 million). As at 31 December 2019, the Group held 52.17% of the shares of Ahsay Korea.

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.

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 has purchased additional office units in the Philippines for its own use as office. On 9 October 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire certain office units and parking slots in Manila, the Philippines for its own use as office space. The total consideration was approximately PHP60.0 million (equivalent to approximately HK$7.8 million), inclusive of 12% value added tax. An initial deposit of approximately PHP10.2 million (equivalent to approximately HK$1.5 million) was paid on 9 October 2019. The transaction was completed on 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 covers all types of data backups for Office 365. With efficient enhancement of the functionalities of its various products and the new index file system of Version 8, it would provide better user experience.

Looking forward, the global economy and market competition will continue to bring challenges to the operating environment. The Company has been seeking for various development opportunities by acquiring Ahsay Korea. The Board believes that the investment in Korea offers a good opportunity to broaden the Group's revenue base and enhance its market share in the backup software sector in the future.

Information Sharing Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed and launched an online information sharing platform, which includes a website and a mobile-application both named KINTIPS (堅料) and was designed to provide information sharing services in Hong Kong. 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 Android OS or Apple iOS systems.

In December 2018, KINTIPS LIMITED has launched another website and mobile-application named KINBOY (堅仔) which was a free online all-in-one platform for horse racing information to attract new users. In October 2019, a new subscription business model of KINBOY was 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; while 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 systems.

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 year ended 31 December 2019, the revenue contribution of the information sharing platform to the Group was not material.

FINANCIAL REVIEW

Overview

During the year ended 31 December 2019 and 2018, the Group recorded revenue of approximately HK$59.1 million and HK$63.0 million respectively, representing a decrease of approximately 6.2%. The Group recorded a profit attributable to owners of approximately HK$0.1 million for the year ended 31 December 2019 as compared to approximately HK$7.9 million for the prior year. The significant decrease was mainly attributable to (i) the decrease in revenue derived from customers leasing under the older version of Ahsay™ Backup Software — Version 6 ("Version 6") which 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 its investment stage.

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$59.1 million and HK$63.0 million was recognised for the year ended 31 December 2019 and 2018 respectively, representing a decrease of approximately 6.2%.

The decrease in revenue for the year ended 31 December 2019 was mainly due to the decrease in revenue from software license leasing and sales of license of approximately HK$1.8 million and HK$1.9 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 prior year.

Other Income

Other income increased by approximately HK$0.5 million or 41.7%, to approximately HK$1.7 million for the year ended 31 December 2019 from approximately HK$1.2 million for the year ended 31 December 2018. The increase in other income for the year ended 31 December 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 as compared with the prior year.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses which increased by approximately HK$3.5 million or 8.9%, to approximately HK$43.0 million for the year ended 31 December 2019 from approximately HK$39.5 million for the year ended 31 December 2018.

The increase in staff costs and related expenses for the year ended 31 December 2019 was mainly due to the combined effects of (i) the increase in headcount in the Philippines, (ii) staff cost arising from the newly acquired subsidiary in Korea, and (iii) salaries increment as compared with the prior year.

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$2.2 million or 15.2%, to approximately HK$16.7 million for the year ended 31 December 2019 from approximately HK$14.5 million for the year ended 31 December 2018.

The increase in other expenses for the year ended 31 December 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 prior year.

Finance Costs

The Group recognised finance costs of approximately HK$0.5 million for the year ended 31 December 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$1.1 million for the year ended 31 December 2019. The decrease in income tax expenses was mainly due to the decrease in assessable profits generated during the year as compared with the prior year.

(Loss) Profit for the Year

The Group recorded a loss of approximately HK$0.5 million for the year ended 31 December 2019 as compared to a profit of approximately HK$7.9 million for the corresponding period in 2018. Among the loss for the year ended 31 December 2019, approximately HK$6.0 million pre-tax profit was generated by the Group's core backup business, which was offset by the segment loss of approximately HK$7.1 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 31 December 2019, the Group's current assets were approximately HK$91.2 million (31 December 2018: approximately HK$93.2 million). The Group remained at a net cash position as at 31 December 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 31 December 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 31 December 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 31 December 2019, the Group's gearing ratio, calculated as interest-bearing borrowings divided by the total equity, was approximately 1.7% (31 December 2018: Nil). The increase was mainly attributable to the borrowing from the newly acquired subsidiary during the year ended 31 December 2019.

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 2019, no related hedges were made by the Group (31 December 2018: 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 2019 was minimal and there was no significant adverse effect on normal operations.

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

Capital Commitments

As of 31 December 2019, the total capital commitment by the Group amounted to 40.8 million Philippine Peso ("PHP") (equivalent to approximately HK$6.3 million) which was made up of contractual commitment in respect of the acquisition of office units and four parking slots (the "Property") in Manila, Philippines.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2019 (31 December 2018: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of a subsidiary and non-controlling interests

To further expand and develop its core backup business in Korea, on 29 April 2019, Ahsay HK, an indirect wholly-owned subsidiary of the Company and, existing shareholders of 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$0.7 million) 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$1.0 million) for 30,000 ordinary shares of Ahsay Korea ("Stage 2") representing 21.43% of the shareholding of Ahsay Korea conditionally.

As at the date of acquisition on 29 April 2019, the Group acquired 28.57% equity interest in Ahsay Korea by way of capital contribution. With the completion of Stage 2, 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.

On 10 December 2019, the Group further acquired 2.17% equity interest in Ahsay Korea by way of capital contribution of KRW50 million (equivalent to approximately HK$0.3 million) for 10,000 ordinary shares of Ahsay Korea. As at the date of this announcement, the Group held 52.17% of the equity interest of Ahsay Korea and the aggregate capital contribution of KRW300 million (equivalent to approximately HK$2.0 million) was fully settled.

Save as disclosed above, there was no other material acquisition or disposal during the year ended 31 December 2019 and 2018, respectively.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 13 to the consolidated financial statements, the Group had no other material event after the reporting period. For further details of the transaction as disclosed in note 13 to the consolidated financial statements, please refer to the announcement of the Company dated 9 October 2019, 14 October 2019 and 15 January 2020.

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:

		Revised use of net proceeds as disclosed in			
Use of proceeds	**Original use of net proceeds**	**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**
	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	27,331
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	8,800
Total	77,200	77,200	77,200	77,200	77,200

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

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. As at the date of this announcement, the proceeds was fully utilised.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had a workforce of 105 employees (2018: 82). The increase in number of employees was mainly due to human resources allocation to the representative office in the Philippines. Total directors and staff costs for the year ended 31 December 2019 was approximately HK$44.1 million before the development cost capitalised, representing an increase of approximately HK$3.2 million as compared to that of the corresponding period in 2018.

Remuneration is determined with reference to the duties, responsibilities, experience, performance and competence of individual employee and Director. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefit included the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes for the employees in Hong Kong. Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements. The emoluments of the Directors are reviewed annually by the remuneration committee of the Board ("Remuneration Committee").

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors ("INEDs")) may also be granted share options by the Company from time to time pursuant to the share option scheme adopted on 4 September 2015.

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

During the year, 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 2019, 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 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this 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 emphasize a quality Board for leadership, effective internal controls, transparency and accountability to all Shareholders.

The Group has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to 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 throughout the year ended 31 December 2019.

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2019.

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, 24 April 2020 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, 20 April 2020 to Friday, 24 April 2020 (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 documents, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 April 2020.

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 2019.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young 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 2019 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, 17 March 2020

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.