



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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2020**

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KONG LIMITED (THE “STOCK EXCHANGE”)**

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*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 six months ended 30 June 2020 was approximately HK\$28.5 million, representing a decrease of approximately 2.4% from approximately HK\$29.2 million for the corresponding period in 2019.
- Loss attributable to owners of the parent for the six months ended 30 June 2020 was approximately HK\$1.8 million, representing an increase of approximately 157.1% from approximately HK\$0.7 million for the corresponding period in 2019.
- Segment loss of approximately HK\$1.5 million was recorded from the core backup business for the six months ended 30 June 2020 as compared to a segment profit of approximately HK\$2.8 million for the corresponding period in 2019.
- Segment loss of approximately HK\$1.8 million and HK\$4.1 million was recorded from the information platform segment named "KINTIPS" for the six months ended 30 June 2020 and 2019 respectively, representing a decrease of approximately 56.1%.
- Basic and diluted loss per share was HK\$0.09 cent for the six months ended 30 June 2020.
- The Board did not recommend payment of any dividend for the six months ended 30 June 2020.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

The board of Directors (the "**Board**") of the Company hereby announces the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in 2019 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	13,623	14,495	28,511	29,236
Cost of inventories sold		(81)	—	(87)	(18)
Other income	4	892	443	1,280	805
Other gains (losses)		42	(14)	(32)	(6)
Staff costs and related expenses	5	(11,758)	(10,880)	(23,150)	(21,864)
Other expenses	6	(4,069)	(4,119)	(8,377)	(8,448)
Finance costs	7	(89)	(101)	(179)	(213)
Loss before tax		(1,440)	(176)	(2,034)	(508)
Income tax credit (expenses)	8	15	(226)	(113)	(358)
Loss for the period		(1,425)	(402)	(2,147)	(866)
Attributable to:					
Owners of the parent		(1,237)	(268)	(1,823)	(732)
Non-controlling interests		(188)	(134)	(324)	(134)
		(1,425)	(402)	(2,147)	(866)
Other comprehensive (expense) income					
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences arising on translation of foreign operations		222	(41)	130	40
Other comprehensive (expense) income for the period		222	(41)	130	40
Total comprehensive expense for the period		(1,203)	(443)	(2,017)	(826)
Attributable to:					
Owners of the parent		(1,014)	(309)	(1,691)	(692)
Non-controlling interests		(189)	(134)	(326)	(134)
		(1,203)	(443)	(2,017)	(826)
Loss per share attributable to ordinary equity holders of the parent					
— Basic and diluted (HK cent)	10	(0.06)	(0.01)	(0.09)	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

		30 June	31 December
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	12,692	3,532
Right-of-use assets		4,400	5,787
Goodwill	<i>17</i>	587	587
Other intangible assets	<i>12</i>	3,229	3,814
Deferred tax asset		143	158
Deposits paid	<i>13</i>	540	2,102
		21,591	15,980
CURRENT ASSETS			
Inventories		35	17
Trade and other receivables	<i>13</i>	4,092	4,691
Tax recoverable		673	—
Bank balances and cash		75,236	86,538
		80,036	91,246
CURRENT LIABILITIES			
Other payables and accruals		5,479	6,825
Contract liabilities	<i>14</i>	14,100	13,219
Lease liabilities		3,017	2,894
Other borrowings	<i>15</i>	1,278	1,340
Tax payable		—	1,910
		23,874	26,188
NET CURRENT ASSETS		56,162	65,058
TOTAL ASSETS LESS CURRENT LIABILITIES		77,753	81,038

		30 June	31 December
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Contract and other liabilities	<i>14</i>	1,177	978
Lease liabilities		1,484	2,980
Deferred tax liabilities		390	361
		3,051	4,319
NET ASSETS		74,702	76,719
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	20,000	20,000
Reserves		54,977	56,668
		74,977	76,668
Non-controlling interests		(275)	51
		74,702	76,719

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Parent					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital and other reserves	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	20,000	72,435	4,097	(29)	(19,351)	77,152	—	77,152
Loss for the period	—	—	—	—	(732)	(732)	(134)	(866)
Other comprehensive income for the period								
Exchange differences arising on translation of foreign operations	—	—	—	40	—	40	—	40
Total comprehensive income (expense) for the period	—	—	—	40	(732)	(692)	(134)	(826)
Acquisition of a subsidiary	—	—	—	—	—	—	(209)	(209)
At 30 June 2019 (unaudited)	<u>20,000</u>	<u>72,435</u>	<u>4,097</u>	<u>11</u>	<u>(20,083)</u>	<u>76,460</u>	<u>(343)</u>	<u>76,117</u>
At 1 January 2020 (audited)	20,000	72,435	3,356	117	(19,240)	76,668	51	76,719
Loss for the period	—	—	—	—	(1,823)	(1,823)	(324)	(2,147)
Other comprehensive income (expense) for the period								
Exchange differences arising on translation of foreign operations	—	—	—	132	—	132	(2)	130
Total comprehensive income (expense) for the period	—	—	—	132	(1,823)	(1,691)	(326)	(2,017)
At 30 June 2020 (unaudited)	<u>20,000</u>	<u>72,435</u>	<u>3,356</u>	<u>249</u>	<u>(21,063)</u>	<u>74,977</u>	<u>(275)</u>	<u>74,702</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,034)	(508)
Adjustments for:			
Finance costs		179	213
Amortisation of other intangible assets		838	773
Interest income		(698)	(742)
Depreciation of property, plant and equipment		519	307
Depreciation of right-of-use assets		1,475	1,434
Operating cash flows before movements in working capital		279	1,477
Increase in inventories		(18)	(15)
Decrease (increase) in trade and other receivables and rental deposits paid		591	(125)
Decrease in other payables and accruals		(1,336)	(1,443)
Increase (decrease) in contract and other liabilities		1,091	(259)
Cash generated from/(used in) operations		607	(365)
Income taxes paid		(2,652)	—
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(2,045)	(365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to development cost capitalised as other intangible assets		(253)	(844)
Purchase of property, plant and equipment		(8,013)	(419)
Interest received		698	731
Acquisition of a subsidiary	17	—	14
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(7,568)	(518)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other borrowings		—	(201)
Principal portion of lease payments		(1,457)	(1,355)
Interest paid		(179)	(213)
CASH USED IN FINANCING ACTIVITIES		(1,636)	(1,769)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,249)	(2,652)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		86,538	89,296
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(53)	(8)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		75,236	86,636

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong (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 unaudited condensed 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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rule Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

The unaudited condensed consolidated financial statements does not include all the information and disclosures required in the Group’s annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited condensed consolidated financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the nature and impact of amendments to HKAS 1 and HKAS 8 *Definition of Material*, the revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated financial statements. The nature and impact of the revised HKFRSs are described below:

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.

The amendments did not have any impact on the Group's unaudited condensed consolidated 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 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.

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 platform segment (previously known as information sharing services segment)	—	Provision of information sharing services and an analysis tool

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 six months ended 30 June 2020 (unaudited)

	Online backup software and related services	Information platform	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue — External			
Software license sales	4,328	—	4,328
Software license leasing	11,255	—	11,255
Software upgrades and maintenance services fee	11,652	—	11,652
Other services fee	642	—	642
Sale of hardware devices	—	75	75
Information sharing services income	—	70	70
Subscription fees	—	489	489
	<hr/>	<hr/>	<hr/>
Total revenue	27,877	634	28,511
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At a point in time	4,349	145	4,494
Over time	23,528	489	24,017
	<hr/>	<hr/>	<hr/>
	27,877	634	28,511
	<hr/>	<hr/>	<hr/>
Segment loss	(1,532)	(1,750)	(3,282)
Unallocated incomes and expenses			
Other income			1,280
Other losses			(32)
			<hr/>
Loss before tax			(2,034)
			<hr/> <hr/>

For the six months ended 30 June 2019 (unaudited)

	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue — External			
Software license sales	3,396	—	3,396
Software license leasing	13,325	—	13,325
Software upgrades and maintenance services fee	11,517	—	11,517
Other services fee	882	—	882
Sales of hardware devices	25	—	25
Information sharing services income	—	91	91
	<hr/>	<hr/>	<hr/>
Total revenue	29,145	91	29,236
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At a point in time	3,457	91	3,548
Over time	25,688	—	25,688
	<hr/>	<hr/>	<hr/>
	29,145	91	29,236
	<hr/>	<hr/>	<hr/>
Segment profit (loss)	2,842	(4,149)	(1,307)
Unallocated incomes and expenses			
Other income			805
Other losses			(6)
			<hr/>
Loss before tax			<u><u>(508)</u></u>

The following table represents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2020 (unaudited)			
Segment assets	26,014	377	26,391
Reconciliation:			
Unallocated assets			
Bank balances and cash			<u>75,236</u>
Total assets			<u><u>101,627</u></u>
Segment liabilities	<u>25,684</u>	<u>1,241</u>	<u>26,925</u>
At 31 December 2019 (audited)			
Segment assets	20,515	173	20,688
Reconciliation:			
Unallocated assets			
Bank balances and cash			<u>86,538</u>
Total assets			<u><u>107,226</u></u>
Segment liabilities	<u>29,747</u>	<u>760</u>	<u>30,507</u>

4. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	325	398	685	731
Interest income on refundable rental deposits	6	11	13	11
Government subsidies (<i>Note</i>)	538	—	538	—
Sundry income	23	34	44	63
	<u>892</u>	<u>443</u>	<u>1,280</u>	<u>805</u>

Note: Government subsidies related to cash subsidy granted by the Government of the Hong Kong Special Administrative Region under The Employment Support Scheme. During the six months ended 30 June 2020, approximately HK\$1,614,000 has been received, in which approximately HK\$538,000 has been recognised.

5. STAFF COSTS AND RELATED EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Directors' emoluments	2,548	2,354	5,096	4,709
Other staff costs				
— Salaries, allowances and benefits in kind and performance and other bonus	8,869	8,733	17,577	17,093
— Retirement benefits scheme contributions, excluding directors' retirement contributions	321	235	559	513
Total directors' and staff costs	11,738	11,322	23,232	22,315
Less: Development costs capitalised	—	(703)	(253)	(844)
Total directors' and staff cost, net of development costs capitalised	11,738	10,619	22,979	21,471
Staff related expenses	20	261	171	393
Staff costs and related expenses	<u>11,758</u>	<u>10,880</u>	<u>23,150</u>	<u>21,864</u>
Research and development costs included in staff costs and related expenses	<u>4,396</u>	<u>2,773</u>	<u>8,184</u>	<u>5,988</u>

6. OTHER EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	200	200	400	400
Advertising and marketing expenses	580	721	1,180	1,477
Amortisation of other intangible assets	452	387	838	773
Legal and professional fees	322	308	968	1,002
Depreciation of property, plant and equipment	271	157	519	307
Depreciation of right-of-use assets	737	685	1,475	1,434
Expenses related to short-term leases	42	54	85	65
Rates and property management fee	143	136	283	257
Merchant credit card charges	410	324	749	644
Electricity and water	80	91	156	168
Others	832	1,056	1,724	1,921
	<u>4,069</u>	<u>4,119</u>	<u>8,377</u>	<u>8,448</u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expenses on:				
Lease liabilities	75	101	150	213
Other borrowings	14	—	29	—
	<u>89</u>	<u>101</u>	<u>179</u>	<u>213</u>

8. INCOME TAX (CREDIT) EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
Hong Kong Profits Tax	—	265	69	411
Deferred tax	(15)	(39)	44	(53)
	<u>(15)</u>	<u>226</u>	<u>113</u>	<u>358</u>

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.

Under the two-tiered profits tax rates regime, 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 subjected to Hong Kong Profits Tax at the rate of 16.5% for the period ended 30 June 2020 and 30 June 2019, 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 periods. No provision for taxation in PRC has been made for both periods as the Group has no assessable profits in PRC.

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

9. DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss attributable to ordinary equity holders of the parent	(1,237)	(268)	(1,823)	(732)

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019, respectively.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment at costs of approximately HK\$9.6 million (six months ended 30 June 2019: approximately HK\$0.4 million).

12. OTHER INTANGIBLE ASSETS

The other intangible assets represent the capitalised development costs incurred in developing the online backup software and customer relationships. The capitalised development costs are mainly employee related costs directly attributable to development activities. The other intangible assets comprise the following:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Development costs	3,127	3,647
Customer relationships	<u>102</u>	<u>167</u>
	<u>3,229</u>	<u>3,814</u>

- a. During the six months ended 30 June 2020, the additions and amortisation of development costs were approximately HK\$253,000 and HK\$773,000 respectively.
- b. The other intangible assets also included customer relationships of HK\$167,000 acquired through a business combination. During the six months ended 30 June 2020, the amortisation was approximately HK\$65,000.

13. TRADE AND OTHER RECEIVABLES/DEPOSITS PAID

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Current assets		
Trade receivables — aged within 30 days	2,223	2,498
Rental and utilities deposits	522	550
Prepaid operating expenses and other receivables	1,347	1,643
	<hr/>	<hr/>
Total	4,092	4,691
	<hr/> <hr/>	<hr/> <hr/>
Non-current asset		
Deposits paid	540	2,102
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2020 and 31 December 2019, trade receivables from contracts with customers amounted to HK\$2,223,000 and HK\$2,498,000, 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 license leasing which charges the customers monthly license fees on a pay-as-you-go basis, the Group offers a credit period of 14-30 days to these customers.

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

14. CONTRACT AND OTHER LIABILITIES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade and other deposits from customers	2,683	1,901
Software upgrades and maintenance services fees received in advance	12,138	12,146
Other service fee received in advance	23	45
	<hr/>	<hr/>
Total contract liabilities	14,844	14,092
Others	433	105
	<hr/>	<hr/>
	15,277	14,197
	<hr/>	<hr/>
Current	14,100	13,219
Non-current	1,177	978
	<hr/>	<hr/>
	15,277	14,197
	<hr/>	<hr/>

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

- Trade and other deposits from customers, and software upgrades and maintenance services fees received in advance

When the Group receives a deposit before a service is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

15. OTHER BORROWINGS

	Effective interest rate per annum %	Maturity	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Current				
Other loans — unsecured (<i>Note (a)</i>)	4.6	2020	1,278	1,340
			<hr/>	<hr/>

Note:

- (a) Other borrowings of the Group are denominated in Korean Won (“**KRW**”), unsecured, and bear interest at variable market rates and are repayable on 31 December 2020.

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	<u>2,000,000,000</u>	<u>20,000</u>

17. 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 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 30 June 2020 and 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 the 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 30 June 2020, Ahsay HK has appointed two directors as board of directors of Ahsay Korea and one of the directors, being 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 had 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 distributors 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 and finalised 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 <i>HK\$'000</i>	Finalised fair value recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment	12	12
Right-of-use assets	109	109
Other intangible assets	—	167
Rental deposits paid	38	38
Trade and other receivables	364	364
Cash and bank balances	684	684
Other payables and accruals	(232)	(232)
Lease liabilities	(103)	(103)
Contract liabilities	(217)	(217)
Other borrowings	(948)	(948)
	<hr/>	<hr/>
Total identifiable net liabilities at fair value	(293)	(126)
Non-controlling interests	209	209
	<hr/>	<hr/>
Goodwill on acquisition	754	587
	<hr/>	<hr/>
Satisfied by cash	<u>670</u>	<u>670</u>

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

During the current period, management has finalised the fair value assessment of the assets and liabilities of Ahsay Korea at the date of acquisition. The amount of goodwill was initially recognised on a provisional basis in the consolidated financial statements at approximately HK\$754,000 at the date of acquisition. As a result, adjustments have been made to reduce the goodwill arising from the acquisition by HK\$167,000 and increase the initial carrying amount of other intangible assets by HK\$167,000. Except for the respective fair values of intangible assets which were determined based on multi-period excess earnings method, the carrying amounts of other identifiable assets and liabilities approximated to their fair values. Accordingly, the amount of other intangible assets have been adjusted to HK\$167,000 as at the date of acquisition. The Group considered the amortisation of other intangible assets has had no material impact to the Group and no adjustments were made to the consolidated statement of profit or loss for the six months ended 30 June 2019 and the year ended 31 December 2019.

As the acquisition took place during the period ended 30 June 2019 and no adjustments were made to the balances as stated at 1 January 2019, the consolidated statement of financial position as at 1 January 2019 is therefore not presented.

The directors of the Company consider the acquisition of Ahsay Korea as an effort to expand the distribution network of the Group's core online 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 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 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:

	<i>HK\$'000</i>
Cash consideration	(670)
Cash and bank balances acquired	684
	<hr/>
	<u>14</u>

18. RELATED PARTY TRANSACTIONS

(a) Transaction with related party:

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

Name of related company	Nature of transaction	Six months ended 30 June	
		2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Assets Sino Investments (HK) Limited*	Lease payments	<u>1,560</u>	<u>1,560</u>

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

(b) Compensation of key management personnel:

The remuneration of key management, including all directors and chief executive of the Company during the periods are as follows:

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Short-term benefits	8,001	7,110
Post-employment benefits	<u>54</u>	<u>54</u>
	<u>8,055</u>	<u>7,164</u>

19. COMPARATIVE AMOUNTS

Certain comparative amounts of the consolidated statement of financial position have been restated due to the finalisation of the purchase price allocation for a business combination as disclosed in note 17 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

During the six months ended 30 June 2020 and 2019, the Group recorded revenue of approximately HK\$28.5 million and HK\$29.2 million respectively, representing a decrease of approximately 2.4%. The Group recorded a loss attributable to owners of approximately HK\$1.8 million for the six months ended 30 June 2020 as compared to a loss of approximately HK\$0.7 million for the corresponding period in 2019.

The increase of loss was mainly attributable to (i) the decrease in revenue derived from the Group's online backup business as affected by the negative impacts from the on-going novel coronavirus (“**COVID-19**”) epidemic which has disrupted global economic activities, (ii) the loss derived from the acquired subsidiary in Korea which is still in its investment stage, and (iii) the increase in staff cost mainly due to the increase in headcount of the Group; and was partially offset by (i) the new source of revenue derived from subscription of the Group's newly developed information platform and (ii) the receipt of first batch of government subsidy granted to the Group under The Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”) as compared with the corresponding period in 2019.

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\$28.5 million and HK\$29.2 million was recognised for the six months ended 30 June 2020 and 2019 respectively, representing a decrease of approximately 2.4%.

The decrease in revenue for the six months ended 30 June 2020 was mainly due to the decrease in revenue derived from the Group's online backup business as affected by the negative impacts from the on-going COVID-19 epidemic which has disrupted global economic activities; and was partially offset by the new source of revenue derived from subscription of the Group's newly developed information platform as compared with the corresponding period in 2019.

Other Income

Other income increased by approximately HK\$0.5 million or 62.5%, to approximately HK\$1.3 million for the six months ended 30 June 2020 from approximately HK\$0.8 million for the six months ended 30 June 2019. The increase in other income for the six months ended 30 June 2020 was mainly due to the receipt of first batch of government subsidy granted to the Group under The Employment Support Scheme launched by the HKSAR Government as compared with the corresponding period in 2019.

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\$1.3 million or 5.9%, to approximately HK\$23.2 million for the six months ended 30 June 2020 from approximately HK\$21.9 million for the six months ended 30 June 2019.

The increase in staff costs and related expenses for the six months ended 30 June 2020 was mainly due to (i) the increase in headcount, (ii) salary increments and (iii) the decrease in development cost capitalised as compared with the corresponding period in 2019.

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 for the six months ended 30 June 2020 was approximately HK\$8.4 million, which was the same as compared with the corresponding period in 2019.

Income Tax Expenses

The Group recorded income tax expenses of approximately HK\$0.1 million for the six months ended 30 June 2020. The decrease in income tax expenses was mainly due to the decrease in assessable profits generated during the period as compared with the corresponding period in 2019.

Loss for the Period

The Group recorded a loss of approximately HK\$2.1 million for the six months ended 30 June 2020 as compared to a loss of approximately HK\$0.9 million for the corresponding period in 2019. Among the loss for the period, approximately HK\$1.5 million and HK\$1.8 million segment loss was incurred from the Group's core online backup business and information platform segment, respectively; and was offset by the other income of approximately HK\$1.3 million.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial 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 position. As at 30 June 2020, the Group's current assets were approximately HK\$80.0 million (31 December 2019: approximately HK\$91.2 million). The Group remained at a net cash position as at 30 June 2020 and 2019, 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 June 2020, there was no charge on assets of the Group (31 December 2019: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 30 June 2020, 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 June 2020, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 1.7% (31 December 2019: 1.7%).

Capital commitments

The Group had no significant capital commitments as at 30 June 2020.

As of 31 December 2019, the total capital commitment by the Group amounted to 40.8 million Philippine Peso (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 in Manila, Philippines. The transaction was completed on 15 January 2020.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2020 (31 December 2019: nil).

Segmental Information

An analysis of the Group's performance for the six months ended 30 June 2020 by business segment is set out in note 3 to the financial statements.

Material Acquisitions and Disposals

There was no material acquisition or disposal during the six months ended 30 June 2020 and 2019, respectively.

BUSINESS REVIEW

Albeit the on-going COVID-19 epidemic has caused uncertainty to our business operation and to the global economic environment during the period, our backup business was neither immediately nor materially affected as the revenue derived from the Group's online backup software and its related services slightly decreased by approximately HK\$1.3 million or 4.4% for the six months ended 30 June 2020.

On the other side, the new source of revenue was derived from subscription of the Group's newly developed information platform contributing to HK\$0.5 million of revenue.

Total revenue of the Group slightly decreased by approximately HK\$0.7 million or 2.4% from approximately HK\$29.2 million for the six months ended 30 June 2019 to approximately HK\$28.5 million for the six months ended 30 June 2020.

Facing the current COVID-19 challenges, we are working closely together with our customers on product fine-tuning by leveraging video conferencing tools to overcome social distancing obstacles. We believe closer connection with customers can improve customer experience and manifest product and service values to them in particularly during the current difficult time.

To accommodate additional staff for our future operations, the Group completed the purchase of two additional office units in the Philippines for its own use as office space and has started the renovation process during the period. The provision of a safe, healthy and harmonious working environment and the well-being of employees are of ultimate priorities to the Group.

OUTLOOK

Core Backup Business

To cater for market needs and keep pace with technological advancement, Version 8 was launched in 2019. Version 8 introduces various new features including Microsoft SharePoint Online Backup etc. and has further enhanced the existing Office 365 backup features. With the enhancement of the functionalities as well as the new index file system, this new adoption of Version 8 would bring better user experience to our customers.

In view of the uncertainty caused by the current COVID-19 epidemic, the Group will stay alert to its development and will assess its impacts on the financial performance and business operation of the Group continually. The prevention of the COVID-19 epidemic remains the top priority of the Group. We will use utmost effort to safeguard the health and safety of our employees and strive to overcome the impact of the COVID-19 epidemic in order to ensure the Group's smooth operation. Taken into account of our solid foundation in the online backup software business with years built up global customer base, the Group is optimistic with the long-term business growth and development of our backup software business.

Information Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed and launched two online information platforms, named KINTIPS (堅料) for information sharing and KINBOY (堅仔) which is an information analysis tool. Those platforms are mainly deployed on mobile-application.

KINTIPS is a trading platform for horse racing and football tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website and mobile application. During the period, although some international football matches were cancelled due to the COVID-19 epidemic, this unprecedented incident did not have material impact on the revenue for the six months ended 30 June 2020.

KINBOY is an all-in-one platform for horse racing information. A new subscription business model of KINBOY was launched in late 2019. The service is tiered and structured such that free members can access the latest race cards, results and dividends, entries lists, chance table of horse racing and other detailed information such as finesse of horse, odds trend and forecast of first two races for catch-up viewing; while paid members can access those detailed information for full day races.

Currently, mobile devices have become the preferred choice for every user to browse information and interact with others. With the Group's experience in the information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify its business into the mobile-application industry. For the six months ended 30 June 2020, the revenue contribution of the information 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 June 2020, 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:

- As at 30 June 2020, the Company had 2,000,000,000 Shares in issue.
- As at 30 June 2020, 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 June 2020, 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 June 2020, 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:

- As at 30 June 2020, the Company had 2,000,000,000 Shares in issue.
- 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.
- 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.
- 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 June 2020, 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 six months ended 30 June 2020 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 six months ended 30 June 2020, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders of the Company 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 six months ended 30 June 2020.

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 six months ended 30 June 2020.

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.

Employees and Remuneration policies

As at 30 June 2020, the Group had a workforce of 107 employees (30 June 2019: 103). The increase in number of employees was mainly due to human resources re-allocation to the representative office in the Philippines. Total directors’ and staff costs for the six months ended 30 June 2020 was approximately HK\$23.2 million before the development cost was capitalised, representing an increase of approximately HK\$0.9 million or 4.0% from approximately HK\$22.3 million as compared to that of the six months ended 30 June 2019.

Remuneration is determined with reference to the duties, responsibilities, experience and competence of individual employees and the Directors. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included the mandatory provident fund prescribed by the Mandatory Provident 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 of 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 Directors (including the independent non-executive Directors) may also be granted share options by the Company from time to time pursuant to the Share Option Scheme.

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

For the six months ended 30 June 2020, the Group has not experienced any strikes, work stoppages or significant labour disputes which have affected its operations and it has not experienced any significant difficulties in recruiting and retaining qualified staff.

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

During the six months ended 30 June 2020 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, among other things, 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 interim financial information of the Group for the six months ended 30 June 2020 has not been audited. The Audit Committee has reviewed with management on the interim financial information of the Group for the six months ended 30 June 2020, the interim 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, 7 August 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>.