



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG 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 (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 2017 was approximately HK\$28.5 million, representing an increase of approximately 8.8% when compared with that of the corresponding period in 2016.
- Segment profit from core backup business of approximately HK\$1.7 million was recorded during the period as compared to the segment loss of approximately HK\$3.7 million for the corresponding period in 2016.
- Loss and total comprehensive expense attributable to owners of the Company for the six months ended 30 June 2017 was approximately HK\$3.9 million, representing an increase of approximately 39.7% when compared with that of the corresponding period in 2016, of which approximately HK\$5.8 million incurred from information sharing services segment named "KINTIPS", offset by the segment profit from core backup business.
- Basic and diluted losses per share was HK\$0.20 cents.
- The Board did not recommend the payment of any dividend for the six months ended 30 June 2017.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 together with the unaudited comparative figures for the corresponding period in 2016 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	14,531	13,529	28,483	26,186
Cost of inventory sold		-	(43)	-	(46)
Other income	5	126	133	242	330
Other gains and losses		(1)	4	(6)	2
Staff costs and related expenses		(12,335)	(11,386)	(23,244)	(21,281)
Other expenses		(5,038)	(4,651)	(9,317)	(8,362)
Finance costs	6	-	(85)	(73)	(173)
Loss before tax		(2,717)	(2,499)	(3,915)	(3,344)
Income tax credit	7	2	415	2	556
Loss for the period	8	(2,715)	(2,084)	(3,913)	(2,788)
Other comprehensive income (expense)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of a foreign operation		8	(12)	11	(5)
Other comprehensive income (expense) for the period		8	(12)	11	(5)
Total comprehensive expense for the period attributable to the owners of the Company		(2,707)	(2,096)	(3,902)	(2,793)
Losses per share					
Basic (in HK cents)	10	(0.14)	(0.10)	(0.20)	(0.14)
Diluted (in HK cents)		(0.14)	(0.10)	(0.20)	(0.14)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>NOTES</i>	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	991	1,015
Intangible assets	<i>12</i>	527	–
Rental deposits paid	<i>13</i>	470	470
		<u>1,988</u>	<u>1,485</u>
Current assets			
Inventories		15	16
Trade and other receivables	<i>13</i>	4,078	4,640
Tax recoverable		890	890
Bank balances and cash		81,356	95,278
		<u>86,339</u>	<u>100,824</u>
Current liabilities			
Other payables and accruals	<i>14</i>	5,787	7,684
Deposits and fees received in advance	<i>15</i>	14,961	14,599
Bank borrowings – due within one year	<i>16</i>	–	8,724
		<u>20,748</u>	<u>31,007</u>
Net current assets		<u>65,591</u>	<u>69,817</u>
Total assets less current liabilities		<u>67,579</u>	<u>71,302</u>
Non-current liabilities			
Deposits and fees received in advance	<i>15</i>	998	778
Provision for long service payments		501	540
Deferred tax liabilities		16	18
		<u>1,515</u>	<u>1,336</u>
Net assets		<u>66,064</u>	<u>69,966</u>
Capital and reserves			
Share capital	<i>17</i>	20,000	20,000
Reserves		46,064	49,966
		<u>66,064</u>	<u>69,666</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note i)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	20,000	72,435	4,097	(35)	(26,531)	69,966
Loss for the period	-	-	-	-	(3,913)	(3,913)
Other comprehensive income for the period						
Exchange difference arising on translation of a foreign operation	-	-	-	11	-	11
Total comprehensive income (expense) for the period	-	-	-	11	(3,913)	(3,902)
At 30 June 2017 (unaudited)	<u>20,000</u>	<u>72,435</u>	<u>4,097</u>	<u>(24)</u>	<u>(30,444)</u>	<u>66,064</u>
At 1 January 2016 (audited)	20,000	72,435	4,097	(18)	(15,430)	81,084
Loss for the period	-	-	-	-	(2,788)	(2,788)
Other comprehensive expense for the period						
Exchange difference arising on translation of a foreign operation	-	-	-	(5)	-	(5)
Total comprehensive expense for the period	-	-	-	(5)	(2,788)	(2,793)
At 30 June 2016 (unaudited)	<u>20,000</u>	<u>72,435</u>	<u>4,097</u>	<u>(23)</u>	<u>(18,218)</u>	<u>78,291</u>

Note i: Capital reserve refers to the equity movement arising from the transfer of equity interest to the Group from Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning (the “Controlling Shareholders”), and the deemed capital contribution from the waiver of Controlling Shareholders during the Group Reorganisation in 2015, as defined in note 2 of the Group’s annual consolidated financial statements for the year ended 31 December 2016 (the “2016 Financial Statements”).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Loss for the period	(3,913)	(2,788)
Adjustments for:		
Income tax credit	(2)	(556)
Impairment loss recognised on intangible assets	1,056	–
Depreciation of property, plant and equipment	192	128
Bank interest income	(213)	(329)
Interest expenses	73	173
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(2,807)	(3,372)
Decrease in inventories	1	22
Decrease in trade and other receivables	562	2,438
Decrease in other payables and accruals	(1,897)	(362)
(Decrease) increase in provision for long service payments	(39)	324
Increase in deposits and fees received in advance	582	155
	<hr/>	<hr/>
Cash used in operations	(3,598)	(795)
Income taxes paid	–	–
	<hr/>	<hr/>
Net cash used in operating activities	(3,598)	(795)
	<hr/>	<hr/>
Investing activities		
Additions of intangible assets	(1,583)	–
Purchase of property, plant and equipment	(168)	(188)
Bank interest income	213	329
	<hr/>	<hr/>
Net cash (used in) from investing activities	(1,538)	141
	<hr/>	<hr/>
Financing activities		
Interest paid	(73)	(173)
Repayment of bank borrowings	(8,724)	(701)
	<hr/>	<hr/>
Cash used in financing activities	(8,797)	(874)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(13,933)	(1,528)
Cash and cash equivalents at 1 January	95,278	104,311
Effect of foreign exchange rate changes	11	(5)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, represented by bank balances and cash	81,356	102,778
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 10 April 2015 as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were first listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of online backup software solutions to clients via internet.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The amounts included in these condensed consolidated financial statements have been computed in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that is applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial statements as defined in HKFRSs.

The condensed consolidated financial statements should be read in conjunction with the 2016 Financial Statements.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the 2016 Financial Statements except for the new policy for capitalising the development cost as intangible assets. The accounting policy for research and development expenditure is set out as below.

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company (the "Directors"), being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. During the six months ended 30 June 2017, the Group had no material change in segment assets and segment liabilities.

In particular, the Group's operating segments under HKFRS 8 Operating Segments are as follows:

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

During the year ended 31 December 2016, the Group started a new segment of information sharing services. Such segment is engaged in the provision of information sharing services in Hong Kong via an online smartphone platform.

Segment revenue and result

The Group's revenue represents the amount received and receivable for software license sales and leasing, provision of software upgrades and maintenance services, sales of hardware devices, provision of information sharing services and other services during the period, net of discounts and sales related taxes.

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

The following is an analysis of the Group's revenue and results by reportable and operating segment of online backup software services and information sharing services:

For the six months ended 30 June 2017 (unaudited)

	Online backup software and other services <i>HK\$'000</i>	Information sharing services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – External			
Software license sales and leasing	15,842	–	15,842
Software upgrades and maintenance services fee	11,372	–	11,372
Other services fee	1,067	–	1,067
Information sharing services income	–	202	202
Total revenue	28,281	202	28,483
Segment results			
Unallocated incomes and expenses	1,705	(5,856)	(4,151)
Other income			242
Other gains and losses			(6)
Loss before tax			(3,915)

For the six months ended 30 June 2016 (unaudited)

	Online backup software and other services <i>HK\$'000</i>	Information sharing services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – External			
Software license sales and leasing	15,438	–	15,438
Software upgrades and maintenance services fee	10,282	–	10,282
Other services fee	420	–	420
Sales of hardware devices	46	–	46
Total revenue	26,186	–	26,186
Segment results			
Unallocated incomes and expenses	(3,676)	–	(3,676)
Other income			330
Other gains and losses			2
Loss before tax			(3,344)

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	98	132	213	329
Others	28	1	29	1
	126	133	242	330

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on bank loans	–	85	73	173

7. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	<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	–	–	–	–
Deferred tax	(2)	(415)	(2)	(556)
	(2)	(415)	(2)	(556)

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.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both periods, and no provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong.

8. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):				
Directors' emoluments	2,262	2,123	4,524	4,241
Other staff costs				
– Salaries, allowances and benefits in kind and performance and other bonuses	9,797	8,033	18,461	14,957
– Retirement benefits scheme contributions, excluding directors' contributions	279	271	581	510
Long-term employee benefit expenses	(91)	409	(590)	492
Total directors' and staff costs	12,247	10,836	22,976	20,200
Staff related expenses	88	550	268	1,081
Staff costs and related expenses	<u>12,335</u>	<u>11,386</u>	<u>23,244</u>	<u>21,281</u>
Research and development costs [#]				
Amounts incurred	3,078	–	6,836	–
Less: capitalised development cost (note 12)	–	–	(1,583)	–
Amounts included in staff costs and related expenses	<u>3,078</u>	<u>–</u>	<u>5,253</u>	<u>–</u>
Auditor's remuneration*	250	500	500	900
Advertising and marketing expenses*	1,032	859	2,716	1,789
Impairment loss recognised on intangible assets*	1,056	–	1,056	–
Legal and professional fees*	528	783	873	1,419
Depreciation of property, plant and equipment*	97	65	192	128
Foreign exchange (gains) losses, net	(1)	4	(6)	2

* Included in other expenses

The Group's research and development expenditure incurred and recognised fully as expense are mainly employee related costs. In the opinion of the Directors, the employees who are engaged in research and development activities are also responsible for provision of maintenance services to the existing customers of the Group in daily operation. For the period ended 30 June 2016, the total staff costs attributable to these employees who performed the above functions were approximately HK\$6,916,000. Given there is no reliable basis to allocate these staff costs directly attributable to research and development activities, any arbitrary allocation of such expense for disclosure of research and development expense is considered misleading.

For the period ended 30 June 2017, with the update on the Group's internal system interfaces, time spent on the research and development activities can be separated out and allocated to research and development costs. In addition, as set out in note 12, certain research and development costs are recognised as intangible assets during the period.

9. DIVIDENDS

The board of directors did not recommend payment of interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

10. LOSSES PER SHARE

The calculation of the basic and diluted losses per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Losses per share				
Loss for the purpose of basic and diluted losses per share for the period attributable to the owners of the Company	<u>(2,715)</u>	<u>(2,084)</u>	<u>(3,913)</u>	<u>(2,788)</u>
	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted losses per share	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

No diluted losses per share was presented as there was no potential ordinary share outstanding during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately HK\$168,000 (six months ended 30 June 2016: HK\$188,000) on property, plant and equipment, mainly including leasehold improvement and furniture, fixtures and equipment.

12. INTANGIBLE ASSETS

The intangible assets represent the capitalised development costs incurred in developing new features of the online backup software. The capitalised development costs are mainly employee related costs directly attributable to development activities. There has been no amortisation of the amount as at 30 June 2017 as the new features of online backup software are in the trial process stage. The new features is launched in July 2017 and the corresponding development cost starts to be amortised in July 2017. The intangible assets have definite useful lives and are amortised on a straight-line basis over one year. During the period ended 30 June 2017, the Directors reviewed the carrying amount of the Group's intangible assets and identified that the recoverable amounts are less than the carrying amounts with a change of estimation of useful life of intangible assets from three years to one year. Accordingly, the carrying amounts of the intangible assets are reduced to their recoverable amounts and an impairment loss of HK\$1,056,000 has been recognised in profit and loss for the six months ended 30 June 2017.

13. TRADE AND OTHER RECEIVABLES/RENTAL DEPOSITS PAID

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current assets		
Trade receivables – aged within 30 days	2,647	2,730
Rental and utilities deposits	242	240
Prepaid operating expenses and other receivables	<u>1,189</u>	<u>1,670</u>
Total	<u>4,078</u>	<u>4,640</u>
Non-current asset		
Rental deposits paid	<u>470</u>	<u>470</u>

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

14. OTHER PAYABLES AND ACCRUALS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Accrued staff costs and related expenses	4,175	4,554
Other payables and accrued operating expenses	<u>1,612</u>	<u>3,130</u>
Total	<u>5,787</u>	<u>7,684</u>

15. DEPOSITS AND FEES RECEIVED IN ADVANCE

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade deposits from customers	1,801	2,020
Software upgrades and maintenance services fees received in advance	14,059	13,216
Other service fees received in advance	<u>99</u>	<u>141</u>
	15,959	15,377
Less: non-current portion	<u>(998)</u>	<u>(778)</u>
Current portion	<u>14,961</u>	<u>14,599</u>

16. BANK BORROWINGS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Unsecured bank borrowings at variable rate	–	8,724
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	–	1,464
– More than one year, but not exceeding two years	–	1,516
– More than two years, but not more than five years	–	4,878
– More than five years	–	866
Total	–	8,724
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	–	8,724

The effective interest rate (which is also equal to contractual interest rate) on the Group's variable-rate borrowings is 3.50% per annum for the year ended 31 December 2016.

The Group early repaid all of the outstanding bank borrowings during the current period.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2016 and 30 June 2017	10,000,000,000	100,000
Issued:		
At 31 December 2016 and 30 June 2017	2,000,000,000	20,000

18. COMMITMENTS

Operating commitments

The Group as lessee

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Minimum lease payments made under operating leases during the period/year in respect of premises	1,408	2,817

Leases are negotiated and rentals are fixed for one to three years.

19. RELATED PARTY TRANSACTIONS

(a) Transaction with related party:

Significant transactions with related party during the periods are as follows:

Name of related company	Nature of transaction	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Assets Sino Investments (HK) Limited*	Rental expenses paid	1,408	1,409

* Assets Sino Investments (HK) Limited is under common control of certain 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 during the periods are as follows:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	7,113	5,716
Post-employment benefits	63	36
	<u>7,176</u>	<u>5,752</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the six months ended 30 June 2016 and 2017, the Group recorded a revenue of approximately HK\$26.2 million and HK\$28.5 million respectively, representing an increase of approximately 8.8%. The Group recorded a loss of approximately HK\$2.8 million and HK\$3.9 million for the six months ended 30 June 2016 and 2017 respectively. The loss was mainly due to the additional costs and expenses arose that from the information sharing platform (“KINTIPS”), which overwhelms the result increment of the Group’s core backup business.

Revenue

The Group’s revenue mainly represented income derived from software license sales and leasing, software upgrades and maintenance services and other services. Revenue of approximately HK\$26.2 million and HK\$28.5 million was recognised for the six months ended 30 June 2016 and 2017, respectively, representing an increase of approximately 8.8%.

The increase for the six months ended 30 June 2017 was mainly due to the increase in revenue from (1) software license sales and leasing of approximately HK\$0.4 million, (2) software upgrades and maintenance service fee of approximately HK\$1.1 million and (3) other services of approximately HK\$0.6 million, an increase compared with that of the same period in 2016.

Other Income

Other income decreased by approximately HK\$88,000 or 26.7%, to approximately HK\$242,000 for the six months ended 30 June 2017 from approximately HK\$330,000 for the six months ended 30 June 2016. The decrease for the six months ended 30 June 2017 was mainly due to the decrease of bank interest income as a result of the decrease in average bank balances as compared with the same period in 2016.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised of salaries, performance bonuses, directors’ fee, MPF contributions, other staff welfare and other related expenses. Staff costs and related expenses increased by approximately HK\$1.9 million or 8.9%, to approximately HK\$23.2 million for six months ended 30 June 2017 from approximately HK\$21.3 million for six months ended 30 June 2016. The increase for the six months ended 30 June 2017 was mainly due to the increase in total headcount, salaries increment and offset by the development cost capitalised as compared with that of the same period in 2016.

Other Expenses

Other expenses primarily comprised of depreciation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expenses and other regular office expenses such as utilities. Other expenses increased by approximately HK\$0.9 million or 10.7%, to approximately HK\$9.3 million for six months ended 30 June 2017 from approximately HK\$8.4 million for six months ended 30 June 2016. The increase for the six months ended 30 June 2017 was mainly due to the increase in advertising and marketing expenses and impairment loss recognised on intangible assets and was offset by the decrease in legal and professional fees and auditor’s remuneration as compared with the same period in 2016.

Finance Costs

Finance costs primarily represented interest expenses on bank borrowings. Finance costs decreased by approximately HK\$100,000 or 57.8%, to approximately HK\$73,000 for six months ended 30 June 2017 from approximately HK\$173,000 for six months ended 30 June 2016. The decrease for the six months ended 30 June 2017 was mainly due to repayment of bank borrowings during the period.

Income Tax Credit

The Group recorded an income tax credit of HK\$0.6 million for the six months ended 30 June 2016. The recognition of an income tax credit was mainly due to the deferred tax assets of approximately HK\$0.6 million being recognised in respect of unused tax losses available for offsetting against future taxable profit as at 30 June 2016.

Loss for the Period

The Group recorded a loss of approximately HK\$2.8 million and HK\$3.9 million for the six months ended 30 June 2016 and 2017 respectively. Out of the loss for the six months ended 30 June 2017, approximately HK\$5.8 million was incurred by KINTIPS, offset by the segment profit of approximately HK\$1.7 million from the Group's core backup business.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in Hong Kong dollars. Hong Kong dollars are pegged to United States dollars under the current policy of the Government of the Hong Kong Special Administrative Region. As the Group's cash and bank balances and borrowings are substantially denominated in Hong Kong dollars, risk from exchange rate fluctuation is minimal.

The Group is in a sound financial position. As at 30 June 2017, current assets (included cash and bank balances) amounted to approximately HK\$86.3 million (31 December 2016: approximately HK\$100.8 million). The Group repaid all bank borrowings during the period compared with HK\$8.7 million bank borrowings balance as of 31 December 2016. The Group remained at a net cash position as at 30 June 2016 and 2017. With the amount of liquid assets on hand, the management team 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 2017, there was no charge on assets of the Group. (31 December 2016: nil)

Capital Structure

The capital structure of the Company comprised ordinary shares only. As at 30 June 2017, the Company's issued share capital was HK\$20.0 million with 2,000,000,000 ordinary shares issued each of HK\$0.01.

Capital Commitments and Contingent Liabilities

As at 30 June 2017, the Group did not have any significant capital commitment (31 December 2016: nil) and contingent liability (31 December 2016: nil). The Group did not have plans for material investments or purchases of capital assets in near term.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition and disposal during the six months ended 30 June 2016 and 2017.

SEGMENTAL INFORMATION

An analysis of the Group's performance for the six months ended 30 June 2017 by business segment is set out in note 4 to the financial statements.

BUSINESS REVIEW

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

Data have become a new essential resource for businesses. The demands of the global backup software market and small and medium enterprises ("SMEs") for backup software products are expected to increase steadily in the coming years. As one of the market leaders in providing online backup software solutions to SMEs worldwide, the Group plans to increase its market share in the backup software sector by focusing on improving products and services, particularly in areas that support both private and public cloud technology.

Revenue of the Group increased by approximately HK\$2.3 million, or 8.8% from approximately HK\$26.2 million for the six months ended 30 June 2016 to approximately HK\$28.5 million for the six months ended 30 June 2017.

Facing keen competition in the global backup software market, the Group will continue to uphold the principle of being "customer-oriented" in operating its businesses. It will focus on product development and refinement, as well as offering outstanding customer services to cater for the changing market needs. To better meet the needs of customers, the Group has introduced a new support service – the 24 x 7 Premium-Lite Loyalty Support service – to provide a fast and customer-focused support service. Appropriate adjustments will be made to ensure good quality products and value-added services are available to customers at all times. The Group believes such efforts can help strengthen its customer relationships and will ultimately enhance its competitiveness.

OUTLOOK

Core Backup Business

During the period, the Group released the final version of Ahsay™ Backup Software Version 6. The Group will dedicate all resources to delivering the latest features, enhancements and support to the current version, Ahsay™ Backup Software Version 7 (“Version 7”) which was launched in December 2015 to cope with the changes in the market and to meet the latest needs of enterprises and backup service providers. Version 7 is an advanced client-server-based solution that offers on-premises cloud backup. With the software, users can manage the backup users’ authorisation procedures and systems anytime and anywhere. They can also manage the users and monitor system status in real time, thus enjoy enhanced management flexibility. For the six months ended 30 June 2017, the segment profit from core backup business of approximately HK\$1.7 million was recorded as compared to the segment loss of approximately HK\$3.7 million incurred for the six months ended 30 June 2016.

Looking forward, the Group aims to strengthen the quality of its customer support services as well as introducing new features to Version 7 in order to speed up adoption rate in coming years.

Information Sharing Platform

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

With advantages of the Group’s expertise and experience in the IT industry, the KINTIPS mobile application is the first step of the Group in exploring new markets in the application industry. It is a brand new channel that allows horse racing tipsters to share their knowledge and views with other horse racing fans. In July 2017, KINTIPS LIMITED launched a trial version of KINTIPS Football (堅料足球) on its website for football fans and football information providers (football tipsters) to share football tips. KINTIPS will be a new source of revenue for the Group and it will be overseen by Mr. Chong Siu Ning, one of the Group’s founders. For the six months ended 30 June 2017, the revenue contribution of the information sharing platform to the Group was not material.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from the date of Listing to 30 June 2017 is set out below:

Business Strategy	Business objectives for the period since the date of Listing up to 30 June 2017 ("Review Period")	Actual business progress during the Review Period
Strengthen our software development capabilities	Conduct research and development ("R&D") to improve product features and the next version of our Ahsay™ Backup Software	The Group conducted R&D to improve product features and develop the next version of Ahsay™ Backup Software during the Review Period.
	Review the remuneration package of existing members of R&D team and candidates who will join the team	The Group reviewed the remuneration package of existing R&D team members and candidates who will join the team and the new remuneration packages took effect on 1 January 2017.
Broaden our customer base	Place advertisements in magazines in the IT industry	The Group has placed advertisements in an IT industry magazine (i.e. PC Market) during the Review Period.
	Participate in exhibitions in the IT industry	The Group is in the process of identifying IT industry exhibitions to participate in.
	Increase our exposure on various online search platforms	The Group has paid various online search platforms (i.e. Google AdWords and Bing Ads) to increase exposure during the Review Period.
Pursue selective acquisition and partnership	Complete due diligence works on potential targets	The Group is in the process of identifying potential acquisition and partnership targets.
	Acquire companies with software development expertise and/or regional client-expertise	

Use of Proceeds

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

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

The net proceeds from the Listing after deducting the underwriting commission and actual expenses related to the Placing were approximately HK\$77.2 million.

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

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

- (i) approximately HK\$7.7 million for working capital and other general corporate purposes;
- (ii) approximately HK\$10.0 million for the development and marketing activities of the Platform which is designed to provide information sharing service in Hong Kong. For more details on the Platform, please refer to the announcement of the Company dated 28 July 2016; and
- (iii) approximately HK\$8.5 million for the repayment of bank borrowings.

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

Use of proceeds	Original use of net proceeds HK\$'000	Revised use of net proceeds HK\$'000	As at 30 June 2017 Utilised HK\$'000	As at 30 June 2017 Unutilised HK\$'000
1. Strengthen our software development capabilities	11,040	11,040	4,663	6,377
2. Broaden our customer base	7,874	7,874	5,139	2,735
3. Pursue selective acquisition and partnership	50,566	24,361	–	24,361
4. Working capital and other general corporate purpose	7,720	15,440	10,396	5,044
5. Development and marketing activities of the Platform	–	10,000	5,544	4,456
6. Repayment of bank borrowings	–	8,485	8,485	–
Total	77,200	77,200	34,227	42,973

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

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

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 2017, 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 recorded in the register required to be kept by the Company under Section 352 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 2017, the Company had 2,000,000,000 Shares in issue.
- As at 30 June 2017, 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 2017, 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 the Shares and Underlying Shares and Debentures of the Company

As at 30 June 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 30 June 2017, the Company had 2,000,000,000 Shares in issue.
2. All Divine held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.
3. Ms. Wu Jui-fang is the spouse of Mr. Chong Siu Pui. By virtue of the SFO, Ms. Wu Jui-fang is deemed to be interested in the Shares in which Mr. Chong Siu Pui is interested.
4. Ms. Li Yin Heung is the spouse of Mr. Chong Siu Ning. By virtue of the SFO, Ms. Li Yin Heung is deemed to be interested in the Shares in which Mr. Chong Siu Ning is interested.

Save as disclosed above, as at 30 June 2017, 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, for the six months ended 30 June 2017 and up to the date of this announcement, none of 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 2017, 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 Adviser's Interests

As notified by VBG Capital Limited ("VBG Capital") (formerly known as V Baron Global Financial Services Limited), the compliance adviser of the Company, neither VBG Capital nor any of its close associates and none of the directors or employees of VBG Capital who have been involved in providing advice to the Company, had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017.

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 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 confirms 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 2017.

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 for the six months ended 30 June 2017.

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 2017, the Group had a workforce of 91 employees (30 June 2016: 76). The increase in number of employees was mainly due to the expansion of the size of the team as a result of expansion of business. Total director and staff costs for the six months ended 30 June 2017 was approximately HK\$24.6 million before the development cost capitalised, representing an increase of approximately HK\$4.4 million or 21.6% as compared to that of the six months ended 30 June 2016.

Remuneration is determined with reference to the duties, responsibilities, experience and competence of individual employees and 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. 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 and non-executive Director) 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 2017, 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

For the six months ended 30 June 2017 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 GEM Listing Rules. The Audit Committee’s principal duties are to review and supervise the Company’s financial reporting process and internal control systems and to provide advice and comments to the Board. Members of the Audit Committee are Mr. Wong Yau Sing (chairman of the Audit Committee), Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man, all of them being independent non-executive Directors.

The interim financial information of the Group for the six months ended 30 June 2017 has not been audited. The Audit Committee has reviewed with management team the interim financial information of the Group for the six months ended 30 June 2017, 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, 4 August 2017

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

This announcement will remain on the “Latest Company Announcement” page on the GEM website on 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>.