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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL HIGHLIGHTS

- The Group's revenue for the three months ended 31 March 2019 was approximately HK$14.7 million, representing a slightly decrease of approximately 2.7% as compared to that of the corresponding period in 2018.

- Loss attributable to owners of the Company for the three months ended 31 March 2019 was approximately HK$0.5 million, as compared to the profit of approximately HK$1.3 million for the corresponding period in 2018.

- Segment profit of approximately HK$1.3 million and HK$2.5 million, was recorded from core backup business for the three months ended 31 March 2019 and 2018 respectively, representing a decrease of 48.0%.

- Segment loss of approximately HK$2.0 million and HK$1.2 million was recorded from information sharing services segment named "KINTIPS" for the three months ended 2019 and 2018 respectively, representing an increase of approximately 66.7%.

- Basic and diluted loss per share was HK$0.02 cents for the three months ended 31 March 2019.

- The Board did not recommend payment of any dividend for the three months ended 31 March 2019.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

The board of Directors (the "**Board**") of the Company is pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2019 together with the unaudited comparative figures for the corresponding period in 2018 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Three months ended 31 March 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	*4*	**14,741**	15,079
Cost of inventories sold		**(18)**	—
Other income	*5*	**362**	243
Other gains (losses)		**8**	(8)
Staff costs and related expenses	*6*	**(10,984)**	(10,381)
Other expenses	*7*	**(4,329)**	(3,368)
Finance cost	*8*	**(112)**	—
(Loss) profit before tax		**(332)**	1,565
Income tax expenses	*9*	**(132)**	(249)
(Loss) profit for the period		**(464)**	1,316
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**81**	1
Other comprehensive income for the period		**81**	1
Total comprehensive (expense) income for the period attributable to the owners of the Company		**(383)**	1,317
(Loss) earnings per share			
— Basic *(HK cents)*	*11*	**(0.02)**	0.07

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	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 2018 (audited)	20,000	72,435	4,097	(15)	(27,211)	69,306
Profit for the period						
Other comprehensive income for the period	—	—	—	—	1,316	1,316
Exchange differences arising on translation of foreign operations	—	—	—	1	—	1
Total comprehensive income for the period	—	—	—	1	1,316	1,317
At 31 March 2018 (unaudited)	20,000	72,435	4,097	(14)	(25,895)	70,623
At 1 January 2019 (audited)	20,000	72,435	4,097	(29)	(19,351)	77,152
Loss for the period	—	—	—	—	(464)	(464)
Other comprehensive income for the period						
Exchange differences arising on translation of foreign operations	—	—	—	81	—	81
Total comprehensive expense for the period	—	—	—	81	(464)	(383)
At 31 March 2019 (unaudited)	20,000	72,435	4,097	52	(19,815)	76,769

Note:

i. Capital reserve comprises:

(a) a debit amount of HK$5,000 represents 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, and 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 of CloudBacko BVI and ASCL from the Controlling Shareholders in April 2015;

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability. The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited. Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the "**BVI**"); and its ultimate holding company is Able Future Investments Limited, a private company incorporated in the BVI. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1–1111, Cayman Islands. The address of the principal place of business of the Company is 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Hong Kong.

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

The unaudited 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 unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended 31 March 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

3.1 Application of new and amendments to HKFRSs

During the three months ended 31 March 2019, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are mandatory to be adhered to and effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

3.2 Changes in accounting policies

Except for the HKFRS 16 mentioned below, the application of all other new and amendments to HKFRSs in the current period has had no material impact on these unaudited condensed consolidated financial statements.

The Group applied HKFRS 16 with a date of initial application on 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss in the period in which it is incurred using effective interest method.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 3.2(b). The right-of-use assets were recognised in the consolidated statement of financial position. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life or the lease term.

(b) ***Accounting policies adopted since 1 January 2019***

The Group leases office and car parking spaces. Rental contract is typically entered into for fixed period of 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 December 2018, leases were classified as either finance or operating leases. Payments made under operating leases were recognised as an expense on a straight-line basis over the lease term.

From 1 January 2019 onwards, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car parking spaces, office equipment and small items of office furniture.

4. REVENUE AND SEGMENT INFORMATION

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

During the current period, segment revenue reported to the CODM was analysed on the basis of the performance obligations recognised by the Group. The segment revenue has been further disaggregated in the segment information and accordingly, the comparative information has been restated.

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

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

Segment revenue and result

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

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

For the three months ended 31 March 2019 (unaudited)

	Online backup software and related services *HK$'000*	**Information sharing services** *HK$'000*	**Total** *HK$'000*
Segment revenue — External			
Software license sales	**1,778**	**—**	**1,778**
Software license leasing	**6,735**	**—**	**6,735**
Software upgrades and maintenance services fee	**5,712**	**—**	**5,712**
Other services fee	**441**	**—**	**441**
Sale of hardware devices	**25**	**—**	**25**
Information sharing services income	**—**	**50**	**50**
Total revenue	**14,691**	**50**	**14,741**
Timing of revenue recognition			
At a point in time	**1,822**	**50**	**1,872**
Over time	**12,869**	**—**	**12,869**
	14,691	**50**	**14,741**
Segment profit (loss)	**1,323**	**(2,025)**	**(702)**
Unallocated incomes and expenses			
Other income			**362**
Other gains			**8**
Loss before tax			**(332)**

For the three months ended 31 March 2018 (unaudited)

	Online backup software and related services *HK$'000*	Information sharing services *HK$'000*	Total *HK$'000*
Segment revenue — External			
Software license sales	1,819	—	1,819
Software license leasing	7,116	—	7,116
Software upgrades and maintenance services fee	5,437	—	5,437
Other services fee	637	—	637
Information sharing services income	—	70	70
Total revenue	15,009	70	15,079
Timing of revenue recognition			
At a point in time	1,849	70	1,919
Over time	13,160	—	13,160
	15,009	70	15,079
Segment profit (loss)	2,542	(1,212)	1,330
Unallocated incomes and expenses			
Other income			243
Other losses			(8)
Profit before tax			1,565

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

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

5. OTHER INCOME

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**333**	228
Sundry income	**29**	15
	362	243

6. STAFF COSTS AND RELATED EXPENSES

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' emoluments	**2,355**	2,105
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonus	**8,255**	8,159
— Retirement benefits scheme contributions, excluding directors' retirement contributions	**278**	280
— Long-term employee benefit expense	**105**	36
Total directors' and staff costs	**10,993**	10,580
Less: development costs capitalised	**(141)**	(497)
Total directors' and staff costs, net of development costs capitalised	**10,852**	10,083
Staff related expenses	**132**	298
Staff costs and related expenses	**10,984**	10,381
Research and development cost included in staff costs and related expenses	**3,215**	2,694

7. OTHER EXPENSES

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Auditor's remuneration	**200**	200
Advertising and marketing expenses	**756**	540
Legal and professional fees	**694**	479
Merchant credit card charges	**320**	314
Amortisation of intangible assets	**386**	132
Depreciation of property, plant and equipment	**150**	101
Depreciation of right-of-use assets	**749**	—
Expenses relating to short-term leases	**11**	—
Office rental expenses	**—**	799
Rates and property management fee	**121**	122
Electricity and water	**77**	61
Others	**865**	620
	4,329	3,368

8. FINANCE COST

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**112**	—
	112	—

9. INCOME TAX EXPENSES

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**146**	175
Deferred tax	**(14)**	74
	132	249

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

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

Accordingly, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the three months ended 31 March 2019 and 2018. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the three months ended 31 March 2019 and 2018.

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

10. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the three months ended 31 March 2019 and 2018, respectively.

11. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share		
(Loss) profits for the period attributable to the owners of the Company	**(464)**	1,316

	Three months ended 31 March	
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,000,000**	2,000,000

No diluted (loss) earnings per share was presented as there were no potential ordinary share in issue during both periods.

12. RESERVES

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

13. EVENTS AFTER THE REPORTING PERIOD

On 29 April 2019, Ahsay HK, an indirect wholly-owned subsidiary of the Company and existing shareholders of Ahsay Korea Co. Limited ("**Ahsay Korea**"), independent third parties, entered into a shareholder agreement pursuant to which Ahsay HK has agreed to make a capital contribution of KRW250 million (equivalent to approximately HK$1.7 million) to Ahsay Korea. Upon completion of the capital contribution, Ahsay Korea will be 50% owned by Ahsay HK. Up to the date of this report, KRW100 million was paid.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

During the three months ended 31 March 2019 and 2018, the Group recorded revenue of approximately HK$14.7 million and HK$15.1 million respectively, representing a slightly decrease of approximately 2.7%. The Group recorded a loss attributable to owners of approximately HK$0.5 million for the three months ended 31 March 2019 as compared to a profit of approximately HK$1.3 million for the corresponding period in 2018. The change from profit to loss is mainly attributable to (i) a slightly decrease in revenue derived from customers leasing under the software license of the older version of Ahsay™ Backup Software — Version 6 ("**Version 6**") which end of life was in late 2018, (ii) increase in staff cost as a result of the increase in average number of headcount, and (iii) increase in operating expenses mainly from increase in professional fees, advertising and marketing expenses and amortisation of intangible assets, as compared to that of the corresponding period in 2018.

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services and other services. Revenue of approximately HK$14.7 million and HK$15.1 million was recognised for the three months ended 31 March 2019 and 2018 respectively, which represents a slightly decrease of approximately 2.7%.

The decrease in revenue for the three months ended 31 March 2019 was mainly due to the decrease in revenue from software license leasing of approximately HK$0.4 million as a result of the end of life of the Version 6 in late 2018.

Other Income

Other income increased by approximately HK$119,000 or 49.0%, to approximately HK$362,000 for the three months ended 31 March 2019 from approximately HK$243,000 for the three months ended 31 March 2018. The increase for the three months ended 31 March 2019 was mainly due to the increase in bank interest income as a result of the combined effects of the increase in the average interest rate and more funds placed in the time deposits compared with the same period in 2018.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses increased by approximately HK$0.6 million or 5.8%, to approximately HK$11.0 million for the three months ended 31 March 2019 from approximately HK$10.4 million for the three months ended 31 March 2018. The increase for the three months ended 31 March 2019 was mainly due to the combined effects of (i) the increase in average headcount in the Philippines office, (ii) salaries increment and (iii) decrease in development cost capitalised partially offset by (iv) the decrease in number of senior management as compared with the same period in 2018.

Other Expenses

Other expenses primarily comprised depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expenses and related expense and other regular office expenses such as utilities. Other expenses increased by approximately HK$0.9 million or 26.5%, to approximately HK$4.3 million for the three months ended 31 March 2019 from approximately HK$3.4 million for the three months ended 31 March 2018. The increase for the three months ended 31 March 2019 was mainly due to the increase in advertising and marketing expenses, legal and professional fees and amortisation of intangible assets as compared with the same period in 2018.

Finance Cost

The Group recognised finance cost of approximately HK$0.1 million for the three months ended 31 March 2019. It represents the interest expense on lease liabilities being recognised as a result of the adoption of HKFRS 16 since 1 January 2019.

Income Tax Expenses

The Group recorded income tax expenses of approximately HK$0.1 million for the three months ended 31 March 2019. The decrease in income tax expenses was mainly due to the decrease in generation of assessable profits during the period compared with the same period in 2018.

(Loss) Profit for the Period

The Group recorded a loss of approximately HK$0.5 million for the three months ended 31 March 2019 as compared to a profit of approximately HK$1.3 million for the corresponding period in 2018. Among the loss for the three months ended 31 March 2019, approximately HK$1.3 million pre-tax profit was generated by the Group's core backup business, which was offset by the segment loss of approximately HK$2.0 million incurred from KINTIPS.

Financial Position, Liquidity and Financial Resources

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

The Group is in a sound financial resource level. As at 31 March 2019, the Group's current assets were approximately HK$89.6 million (31 December 2018: approximately HK$93.2 million). The Group remained at a net cash position both as at 31 March 2019 and 2018. Based on the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Charges on Assets of the Group

As at 31 March 2019, there was no charge on assets of the Group (31 December 2018: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 31 March 2019, the Company's issued share capital was HK$20.0 million with 2,000,000,000 issued shares of HK$0.01 each.

Capital Commitments and Contingent Liabilities

As at 31 March 2019, the Group did not have any significant capital commitment (31 December 2018: nil) and contingent liability (31 December 2018: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal during the three months ended 31 March 2019 and 2018, respectively.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 13, the Group had no other material event after the reporting period.

BUSINESS REVIEW

Increasing adoption of data backup software and various cloud-based technologies by various industries are major factors boosting growth of the global data backup software market nowadays. In view of the potential risk of hardware failure, data breach and human error, more and more businesses have increased their investment in data backup systems. On the other hand, the market competition of global data backup software is constantly growing higher with the rise in technological innovation and similar data backup products.

In view of the end of life of the older version of Ahsay™ Backup Software – Version 6 in late 2018, revenue of the Group slightly decreased by approximately HK$0.4 million or 2.7% from approximately HK$15.1 million for the three months ended 31 March 2018 to approximately HK$14.7 million for the three months ended 31 March 2019.

During the period, the Group has stepped up its effort to expand to international market in order to achieve a higher market share and revenue growth. In February 2019, Ahsay Systems Corporation Limited ("**Ahsay HK**") entered into a memorandum of understanding (the "**MOU**") with Orangetech Co., Ltd. ("**Orangetech**"), a company incorporated in the Republic of Korea ("**Korea**"). Orangetech is an information technology company.

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

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

In April 2019, Ahsay HK and existing shareholders of Ahsay Korea Co. Limited ("**Ahsay Korea**"), a company incorporated in Korea, entered into a shareholder agreement pursuant to which Ahsay HK has agreed to make a capital contribution of KRW250 million (equivalent to approximately HK$1.7 million) to Ahsay Korea. Upon completion of the capital contribution, Ahsay Korea will be 50% owned by Ahsay HK. Ahsay Korea is an IT solutions provider in Korea. More details of the shareholder agreement can be found in the announcement of the Company dated 29 April 2019.

Through the capital contribution, Ahsay HK can further expand and develop its core backup business in Korea. It will further improve the Group's profitability and promote sustainable development of the Group in the long run.

OUTLOOK

Core Backup Business

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

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

Looking forward, the Group will dedicate significant resources to continue the development of new features and the improvement in the usability of Ahsay™ Backup Software with customer value orientated focus. It is believed that such focus on customer value would enhance the Group’s market share in the backup software sector in the coming years.

Information Sharing Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed an online information sharing platform, which includes a website and a mobile-application both named KINTIPS (堅料) designed to provide information sharing services in Hong Kong. KINTIPS was officially launched. KINTIPS is a trading platform for horse racing tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website or mobile application.

In December 2018, KINTIPS LIMITED has launched another website and mobile-application named KINBOY (堅仔) which is an online all-in-one platform for horse racing information. It provides race cards, current odds, result and dividends reports and other related information of horse racing. Both mobile application of KINTIPS and KINBOY can be installed on mobile devices that operate on the Android OS or Apple iOS systems.

In a fast paced world nowadays, mobile devices have become the first choice for every user to browse and interact online. With the Group’s experience in the information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify into the mobile-application industry. For the three months ended 31 March 2019, the revenue contribution of the information sharing platform to the Group was not material.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 31 March 2019, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 March 2019, the Company had 2,000,000,000 Shares in issue.

2. As at 31 March 2019, All Divine Investments Limited ("**All Divine**") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited ("**Able Future**") which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 March 2019, the Company had 2,000,000,000 Shares in issue.

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

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

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

Save as disclosed above, as at 31 March 2019, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this announcement, at no time during the three months ended 31 March 2019 and up to the date of this announcement, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Directors' and Controlling Shareholders' Interest in Competing Business

For the three months ended 31 March 2019, 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 three months ended 31 March 2019.

Compliance with the Code on Corporate Governance

The Company is committed to achieve high standards of corporate governance with a view to safeguarding the interests of its shareholders. The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2019.

Share Option Scheme

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

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

During the three months ended 31 March 2019 and up to the date of this announcement, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Review by the Audit Committee

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. 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 quarterly financial information of the Group for the three months ended 31 March 2019 has not been audited. The Audit Committee has reviewed with management on the quarterly financial information of the Group for the three months ended 31 March 2019, the quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee was satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 3 May 2019

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

This announcement will remain on the "Latest Company Announcements" page on 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.