



Ahsay Backup Software Development Company Limited

亞勢備份軟件開發有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8290)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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*This announcement, for which the directors (the “**Directors**”) of Ahsay Backup Software Development Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2022 was approximately HK\$44.9 million, representing a decrease of approximately 6.3% from approximately HK\$47.9 million for the prior year.
- Loss attributable to owners of the parent for the year ended 31 December 2022 was approximately HK\$2.0 million as compared to approximately HK\$15.7 million for the prior year.
- Segment losses of approximately HK\$4.5 million and HK\$15.7 million were recorded from online backup software and related services segment for the years ended 31 December 2022 and 2021, respectively.
- Segment profit of approximately HK\$0.9 million was recorded from information platform segment for the year ended 31 December 2022 as compared to a segment loss of approximately HK\$0.2 million for the prior year.
- Basic and diluted loss per share were both HK0.10 cent for the year ended 31 December 2022.
- The Board did not recommend the payment of any dividend for the year ended 31 December 2022.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of Directors (the “**Board**”) of the Company hereby announces the following consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**2022 Annual Results**”) together with the comparative figures for the year ended 31 December 2021 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	44,882	47,874
Cost of inventories sold		(223)	(505)
Other income	4	1,867	306
Other losses, net	4	(468)	(349)
Staff costs and related expenses	5	(32,763)	(44,582)
Other expenses	6	(15,023)	(18,428)
Finance costs	7	(444)	(245)
Loss before tax		(2,172)	(15,929)
Income tax expense	8	(140)	(200)
Loss for the year		<u>(2,312)</u>	<u>(16,129)</u>
Attributable to:			
Owners of the parent		(1,964)	(15,673)
Non-controlling interests		(348)	(456)
		<u>(2,312)</u>	<u>(16,129)</u>
Other comprehensive (loss) income			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising on translation of foreign operations		(619)	(557)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Surplus on revaluation of owner-occupied properties upon transfer to investment properties		705	—
Income tax effect		(170)	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		535	—
Other comprehensive loss for the year		(84)	(557)
Total comprehensive loss for the year		<u>(2,396)</u>	<u>(16,686)</u>
Attributable to:			
Owners of the parent		(2,112)	(16,279)
Non-controlling interests		(284)	(407)
		<u>(2,396)</u>	<u>(16,686)</u>
Loss per share attributable to ordinary equity holders of the parent			
— Basic and diluted (HK cent)	10	<u>(0.10)</u>	<u>(0.78)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,387	12,553
Investment properties		2,919	—
Right-of-use assets		4,833	7,236
Goodwill		—	—
Other intangible assets		—	—
Deferred tax assets		—	141
Deposits paid	<i>11</i>	421	465
		16,560	20,395
CURRENT ASSETS			
Inventories		64	76
Trade and other receivables	<i>11</i>	5,155	3,196
Bank balances and cash		59,727	62,539
		64,946	65,811
CURRENT LIABILITIES			
Other payables and accruals	<i>12</i>	5,145	4,428
Contract liabilities		14,168	15,177
Lease liabilities		2,340	2,266
Other borrowings		1,829	1,749
Tax payable		106	119
		23,588	23,739
NET CURRENT ASSETS		41,358	42,072
TOTAL ASSETS LESS CURRENT LIABILITIES		57,918	62,467
NON-CURRENT LIABILITIES			
Contract and other liabilities		1,339	1,227
Lease liabilities		2,572	4,906
Deferred tax liabilities		137	68
		4,048	6,201
NET ASSETS		53,870	56,266
EQUITY			
Equity attributable to owners of the parent			
Share capital		20,000	20,000
Reserves		35,215	37,327
		55,215	57,327
Non-controlling interests		(1,345)	(1,061)
Total equity		53,870	56,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital and other reserves	Asset revaluation reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	20,000	72,435	3,395	—	680	(22,904)	73,606	(654)	72,952
Loss for the year	—	—	—	—	—	(15,673)	(15,673)	(456)	(16,129)
Other comprehensive (loss) income for the year									
Exchange differences arising on translation of foreign operations	—	—	—	—	(606)	—	(606)	49	(557)
Total comprehensive loss for the year	—	—	—	—	(606)	(15,673)	(16,279)	(407)	(16,686)
At 31 December 2021 and 1 January 2022	20,000	72,435*	3,395*	—	74*	(38,577)*	57,327	(1,061)	56,266
Loss for the year	—	—	—	—	—	(1,964)	(1,964)	(348)	(2,312)
Other comprehensive (loss) income for the year									
Exchange differences arising on translation of foreign operations	—	—	—	—	(683)	—	(683)	64	(619)
Surplus on revaluation of owner-occupied properties upon transfer to investment properties, net of tax	—	—	—	535	—	—	535	—	535
Total comprehensive income (loss) for the year	—	—	—	535	(683)	(1,964)	(2,112)	(284)	(2,396)
At 31 December 2022	20,000	72,435*	3,395*	535*	(609)*	(40,541)*	55,215	(1,345)	53,870

* These reserve accounts comprise the consolidated reserves of HK\$35,215,000 (2021: HK\$37,327,000) in the consolidated statement of financial position.

Note:

- i. Capital and other reserves comprise:
 - (a) a debit amount of HK\$5,000 representing the difference between the fair value of the consideration paid in the amount of HK\$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, 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 interests in CloudBacko Corporation (“**CloudBacko BVI**”) and Ahsay Service Centre Limited (“**ASCL**”), upon transfer of the 100% equity interests in CloudBacko BVI and ASCL from the Controlling Shareholders in April 2015;
 - (b) a credit amount of HK\$1,000,000 representing the difference between the par value of the share issued by Alpha Heritage Holdings Limited (“**Alpha Heritage**”), a wholly-owned subsidiary of the Company, and the share capital of Ahsay Systems Corporation Limited (“**Ahsay HK**”), upon transfer of the 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;
 - (c) a credit amount of HK\$2,000,000 representing the deemed capital contribution from the Controlling Shareholders with regard to a waiver of amounts due to shareholders in March 2015;
 - (d) a credit amount of HK\$1,102,000 representing the deemed capital contribution from the Controlling Shareholders upon disposal of the entire equity interest in Million Victory Investment Management Limited, a then subsidiary of the Group, to a related company controlled by the Controlling Shareholders in April 2015; and
 - (e) a debit amount of HK\$702,000 representing the changes in non-controlling interests arising from the additional capital contribution by the Group in 2019.

1. GENERAL INFORMATION

Ahsay Backup Software Development Company Limited (the “**Company**”) is a publicly listed company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability; and, in the opinion of the directors, its ultimate holding company is Able Future Investments Limited, a private company incorporated in the BVI with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Hong Kong.

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

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The financial statements are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

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

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue — External						
Software license sales	3,534	—	3,534	4,061	—	4,061
Software license leasing	16,301	—	16,301	17,957	—	17,957
Software upgrades and maintenance services	19,303	—	19,303	21,024	—	21,024
Other services	1,105	—	1,105	1,168	—	1,168
Sale of hardware devices	—	251	251	—	617	617
Information sharing service income	—	96	96	—	144	144
Subscription fees	20	4,272	4,292	—	2,903	2,903
Total revenue	40,263	4,619	44,882	44,210	3,664	47,874
Timing of revenue recognition						
At a point in time	3,590	347	3,937	4,128	761	4,889
Over time	36,673	4,272	40,945	40,082	2,903	42,985
	40,263	4,619	44,882	44,210	3,664	47,874
Segment (loss) profit	(4,488)	917	(3,571)	(15,665)	(221)	(15,886)
Unallocated incomes and expenses						
Other income			1,867			306
Other losses, net			(468)			(349)
Loss before tax			(2,172)			(15,929)

Performance obligations

Software license sales

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

Software license leasing

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

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

Software upgrades and maintenance services and certain types of other services

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

Sale of hardware devices

The performance obligation of the sale of hardware devices is satisfied at the point in time upon delivery of the hardware devices and payment is generally due from the date of billing.

Information sharing service income and certain types of other services

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

Subscription fees

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

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	14,168	15,177
After one year	910	931
	<u>15,078</u>	<u>16,108</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to software upgrades and maintenance services, of which the performance obligations are to be satisfied within two years.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	At 31 December 2022			At 31 December 2021		
	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets						
Segment assets	21,209	570	21,779	23,237	430	23,667
Reconciliation:						
Unallocated assets						
Bank balances and cash			59,727			62,539
Consolidated assets			81,506			86,206
Reportable segment liabilities						
Segment liabilities	24,845	2,791	27,636	28,109	1,831	29,940

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

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

Other segment information

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>	Online backup software and related services <i>HK\$'000</i>	Information platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
Capital expenditure (<i>Note</i>)	358	14	372	1,478	8	1,486
Depreciation and amortisation	3,962	15	3,977	4,522	12	4,534
Fair value gain on investment properties	75	—	75	—	—	—
Impairment losses on other intangible assets	—	—	—	2,372	—	2,372
Impairment losses on goodwill	—	—	—	706	—	706

Note: Capital expenditure consists of additions to property, plant and equipment.

Non-current assets by geographical location

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	6,162	8,913
Philippines	9,971	10,863
South Korea	6	13
	<u>16,139</u>	<u>19,789</u>

Non-current assets exclude deposits paid and deferred tax assets.

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the locations of the customers, is detailed below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
United States of America	5,558	6,511
Hong Kong	5,109	4,110
Others (<i>Note</i>)	34,215	37,253
	<u>44,882</u>	<u>47,874</u>

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

Information about major customers

There were no sales to a single customer contributing over 10% of the total revenue of the Group in both years.

4. OTHER INCOME AND OTHER LOSSES, NET

(a) Other income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	562	71
Interest income on refundable rental deposits	21	28
Interest income on financial asset at amortised cost	—	66
Government subsidies (<i>Note</i>)	1,000	—
Rental income	43	—
Sundry income	241	141
	<u>1,867</u>	<u>306</u>

Note: Government subsidies related to subsidies granted by the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme. There are no unfulfilled conditions or contingencies relating to these subsidies. During the year ended 31 December 2022, approximately HK\$1,000,000 was received and recognised.

(b) Other losses, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Foreign exchange differences, net	543	349
Fair value gains on investment properties	(75)	—
	<u>468</u>	<u>349</u>

5. STAFF COSTS AND RELATED EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' emoluments	6,098	8,509
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonuses	25,721	34,481
— Retirement benefit scheme contributions, excluding directors' retirement contributions*	763	1,015
Total directors' and staff costs	32,582	44,005
Staff-related expenses	181	577
Staff costs and related expenses	<u>32,763</u>	<u>44,582</u>
Research and development costs included in staff costs and related expenses	<u>12,177</u>	<u>18,707</u>

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. OTHER EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	855	845
Advertising and marketing expenses	1,214	1,277
Amortisation of other intangible assets	—	56
Impairment of other intangible assets	—	2,372
Impairment of goodwill	—	706
Content acquisition cost	1,065	719
Legal and professional fees	1,340	1,567
Depreciation of property, plant and equipment	1,574	1,528
Depreciation of right-of-use assets	2,403	2,950
Expenses related to short-term leases	200	237
Rates and property management fees	581	598
Merchant credit card charges	1,260	1,267
Electricity and water	435	442
Web hosting expenses	660	848
Others	3,436	3,016
	<u>15,023</u>	<u>18,428</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on:		
Lease liabilities	365	164
Other borrowings	79	81
	<u>444</u>	<u>245</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	130	188
Over provision in prior years	(30)	(14)
	<u>100</u>	<u>174</u>
Deferred tax	<u>40</u>	<u>26</u>
	<u>140</u>	<u>200</u>

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

Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries of the Company are subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2022 and 2021, respectively.

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

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

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Loss before tax	<u>(2,172)</u>	<u>(15,929)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(358)	(2,628)
Differences in tax rates for specific provinces or enacted by local authority	43	47
Tax effect of expenses not deductible for tax purposes	149	246
Tax effect of income not taxable for tax purposes	(270)	(11)
Tax effect of tax losses not recognised	718	2,335
Tax losses utilised from previous period	(189)	(44)
Tax effect of deductible temporary differences not recognised	135	367
Overprovision in prior years	(30)	(14)
Income tax at the concessionary rate	<u>(58)</u>	<u>(98)</u>
Income tax expense for the year	<u>140</u>	<u>200</u>

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

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

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Loss attributable to ordinary equity holders of the parent	<u>(1,964)</u>	<u>(15,673)</u>

	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	<u>2,000,000</u>	<u>2,000,000</u>

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES/DEPOSITS PAID

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets		
Trade receivables — aged within 30 days, based on the invoice date	3,354	1,487
Rental and utility deposits	275	293
Prepaid operating expenses and other receivables	<u>1,526</u>	<u>1,416</u>
Total	<u>5,155</u>	<u>3,196</u>
Non-current assets		
Deposits paid	<u>421</u>	<u>465</u>

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

12. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accrued staff costs and related expenses	3,322	2,583
Other payables and accrued operating expenses	<u>1,823</u>	<u>1,845</u>
Total	<u>5,145</u>	<u>4,428</u>

Other payables are non-interest bearing. The ageing of other payables was less than one year, based on the invoice date.

13. EVENT AFTER THE REPORTING PERIOD

In February 2023, the Group had entered into an agreement with other shareholders of Ahsay Korea Co., Ltd. (“**Ahsay Korea**”), a 52.17% owned subsidiary of the Company, to transfer the control of Ahsay Korea to other shareholders by the cessation of the Group's right to appoint any director and Chairman of Ahsay Korea. In the opinion of the directors, the Group lost control on Ahsay Korea since then as the Group no longer has the ability to affect the returns of Ahsay Korea through its power over Ahsay Korea. Accordingly, Ahsay Korea ceased to be a subsidiary of the Group.

BUSINESS REVIEW

Recovery of our business demand has been slow as the negative impacts of COVID-19 have persisted longer than previously anticipated and factors such as the war in Ukraine and the rising inflation have further deteriorated global economy and slowed down our business demand recovery. Such negative impacts significantly affect the principle business of small and medium-sized enterprises, and has continually weakened their demand for online backup services. Relative weak demand from customers has continually affected the profitability of our online backup business. The Group also faced increasingly intense competition within the global online backup software market.

The external economic environment continues to be weak, the revenue derived from the Group's online backup software and its related services inevitably decreased by approximately HK\$3.9 million or 8.8% from approximately HK\$44.2 million for the year ended 31 December 2021 to approximately HK\$40.3 million for the year ended 31 December 2022.

On the other side, the revenue derived from the Group's information platform increased by approximately HK\$0.9 million or 24.3% from approximately HK\$3.7 million for the year ended 31 December 2021 to approximately HK\$4.6 million for the year ended 31 December 2022.

Total revenue of the Group decreased by approximately HK\$3.0 million or 6.3% from approximately HK\$47.9 million for the year ended 31 December 2021 to approximately HK\$44.9 million for the year ended 31 December 2022.

Despite adjusting our pricing strategy, the revenue from online backup software segment in these two years were not stable and the customer segmentation has changed with reduced bulk purchase. In response to the weak demand of the global economy, Ahsay™ Backup Software Version 9 has been launched in early 2022 to cope with the market changes and maintain the competitiveness of the Group. We would also continue to take mitigating actions to control operating costs to maintain a healthy financial position. With the implementation of prudent cost control measures undertaken during the year, the loss attributable to owners of parent for the year ended 31 December 2022 has decreased by over 85% compared to prior year.

OUTLOOK

Core Backup Business

Our current version of Ahsay™ Backup Software — Version 9 (“**Version 9**”) launched in January 2022 is an advanced client-server based on-premises and cloud backup software solution for businesses and managed service providers (“**MSPs**”).

In terms of the major enhancement of Version 9, the In-File Data feature was replaced with the new feature — Deduplication, which is part of the backup process that identifies and eliminates duplicate copies of repeating data, storing the data only once, in order to save storage space. Deduplication plays a major role in managing storage space, particularly when performed over large volumes of data. The whole solution can be deployed within a company to backup all virtual machines or physical servers. MSPs can also use this software solution to offer secure managed backup service to their clients.

Version 9 comes with a web based central management console for system administrator to easily manage the whole backup system through any web browser. It supports various features such as Microsoft 365 Backup including SharePoint Online, Outlook, OneDrive etc. In addition to the above, the backup and restoration of Microsoft Teams are also supported.

With the enhancement of functionalities, we believe Version 9 provides improved user experience for our customers. We will continue to pay close attention to the changes in the market and the direction for future development.

Information Platform

The Group has developed information platforms, named KINBOY (堅仔) which is an information analysis tool and KINTIPS (堅料) for information sharing. Such platforms are mainly deployed on mobile-application.

KINBOY is an all-in-one platform for horse racing information which provides users an alternative way to access information electronically. The subscription service is tiered and structured such that free members can access the latest race cards, results and dividends, entries lists, chance table of horse racing and other detailed information such as finesse of horses, sharp moves, odds trend and forecast of first two races for catch-up viewing; while paid members can access detailed information including Cloud Data for full day races. Cloud Data, which is a new feature of KINBOY, was launched during the year. It has collected and combined information from overseas and The Hong Kong Jockey Club for computer analysis. With the latest information and analysis, paid members would gain an in-depth insight into horse racing.

Apart from KINBOY, minimal revenue contributions are derived from information sharing platform KINTIPS, which is a platform designed to allow information providers and subscribers to share information via its website and mobile application.

Social distancing and isolation measures during COVID-19 pandemic have resulted in people gravitating towards entertainment to ease boredom and have made people realise the vital need for digital solutions. Mobile applications have become increasingly popular and the general populace are accustomed to using mobile devices as the new norm. With up-to-date information on horse racing, more and more people downloaded KINBOY as a way to replace traditional newspapers to gain access to horse racing information. The management is expecting a stable growth for the information platform segment in the future.

FINANCIAL REVIEW

Overview

During the years ended 31 December 2022 and 2021, the Group recorded revenues of approximately HK\$44.9 million and HK\$47.9 million, respectively, representing a decrease of approximately 6.3%. The Group recorded a loss attributable to owners of the parent of approximately HK\$2.0 million for the year ended 31 December 2022 as compared to a loss attributable to owners of the parent of approximately HK\$15.7 million for the prior year.

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services, subscription fees of information platform and other services. Revenues of approximately HK\$44.9 million and HK\$47.9 million were recognised for the years ended 31 December 2022 and 2021, respectively, representing a decrease of approximately 6.3%.

The decrease in revenue for the year ended 31 December 2022 was mainly due to the decrease in revenue derived from the Group's online backup business as affected by (i) the sluggish recovery of demand as a result of overall weak global economy, (ii) the change of customer segmentation with reduced bulk purchase and (iii) keen competition in the global online backup software market; which was partially offset by the increase in revenue derived from increase in subscription of the Group's information platform, compared with the prior year.

Other Income

Other income increased by approximately HK\$1.6 million or 533.3%, to approximately HK\$1.9 million for the year ended 31 December 2022 from approximately HK\$0.3 million for the year ended 31 December 2021. The increase in other income for the year ended 31 December 2022 was mainly due to the recognition of government subsidies granted to the Group under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region and the increase in bank interest income as a result of the increase in the average rate of time deposits during the year.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses which decreased by approximately HK\$11.8 million or 26.5%, to approximately HK\$32.8 million for the year ended 31 December 2022 from approximately HK\$44.6 million for the year ended 31 December 2021.

The decrease in staff costs and related expenses for the year ended 31 December 2022 was mainly due to the cost control measures imposed during the year, which included team restructuring and salary reduction of the senior management of the Group as compared with the prior year.

Other Expenses

Other expenses primarily comprised depreciation, advertising and marketing expenses, merchant credit card charges, legal and professional fees and other regular office expenses such as utilities. Other expenses decreased by approximately HK\$3.4 million, or 18.5%, to approximately HK\$15.0 million for the year ended 31 December 2022 from approximately HK\$18.4 million for the year ended 31 December 2021.

The decrease in other expenses was mainly due to the lack of one-off impairment of other intangible assets and goodwill of which recognised last year.

Income Tax Expense

The Group recorded income tax expense of approximately HK\$0.1 million for the year ended 31 December 2022. The decrease in income tax expense was mainly due to the generally decrease in assessable profits of certain subsidiaries during the year.

Loss for the Year

The Group recorded a loss of approximately HK\$2.3 million for the year ended 31 December 2022 as compared to a loss of approximately HK\$16.1 million for the prior year. The loss for the year consisted of an approximately HK\$4.5 million segment loss from the Group's online backup software and related services segment, and a segment profit of approximately HK\$0.9 million generated by the information platform segment.

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 amount of cash denominated mainly in Hong Kong dollars ("HK\$") and United States Dollar ("US\$") are generally deposited with licensed banks in Hong Kong and Singapore. As the Group's cash and bank balances are substantially denominated in HK\$ and US\$, risk in exchange rate fluctuation would not be material.

The Group is in a sound financial position. As at 31 December 2022, the Group's current assets were approximately HK\$64.9 million (31 December 2021: approximately HK\$65.8 million). The Group remained at a net cash position as at 31 December 2022 and 2021, respectively. Based on the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Charges on Assets of the Group

As at 31 December 2022, there was no charge on assets of the Group (31 December 2021: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 31 December 2022, the Company's issued share capital was HK\$20.0 million with 2,000,000,000 issued shares of HK\$0.01 each.

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 3.4% (31 December 2021: 3.1%).

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

The Group's cash is primarily deposited at licensed banks in Hong Kong and Singapore denominated mainly in HK\$ and US\$. As at 31 December 2022, no related hedges were made by the Group (31 December 2021: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in HK\$, the impact of foreign exchange exposure to the Group during the year ended 31 December 2022 was minimal and there was no significant adverse effect on normal operations.

The carrying amounts of the Group's monetary assets denominated in currencies other than the Group's operating units' functional currencies at the end of the reporting period are mainly denominated in US\$. As HK\$ is pegged to the US\$ within a narrow band, the Group does not expect any significant movements in the US\$/HK\$ exchange rate. Accordingly, management considers that the Group's foreign currency risk exposure for US\$ is not significant.

After consideration of the benefit and cost, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, the Group continues to monitor its interest rate exposure closely.

Capital Commitments and Contingent Liabilities

The Group had no significant capital commitments and contingent liabilities as at 31 December 2022 and 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2022 and 2021, respectively.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a workforce of 73 employees (2021: 99). The decrease in number of employees was mainly due to enhancement of workforce efficiency. Total directors and staff costs for the year ended 31 December 2022 was approximately HK\$32.8 million, representing a decrease of approximately HK\$11.8 million or 26.5% as compared to that of the corresponding period in 2021.

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

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors ("**INEDs**") and non-executive Director) may also be granted share options by the Company from time to time pursuant to the share option scheme adopted on 4 September 2015, details of which are set out in section headed "Report of the Directors" in this report.

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

During the year ended 31 December 2022, the Group did not experience any strikes, work stoppages or significant labour disputes which would have affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance framework is based on two main beliefs:

- the Group is well-committed to maintaining good corporate governance practices and procedures; and
- the Group recognises the need to adopt practices that would help improve the Group continuously and to achieve quality management.

Accordingly, the Group is committed to maintaining high standards of corporate governance with a view to assure the proper conduct of management of the Group as well as protecting the interests of all Shareholders. The corporate governance principles adopted by the Group emphasize a quality Board for leadership, effective internal controls, transparency and accountability to all Shareholders.

The Group has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Directors consider that, the Group has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2022.

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2022.

The Group believes through the operation of an effective Board, sound internal controls, and accountability to Shareholders, the Group is able to maximise the value of all Shareholders.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 5 May 2023 at 9:30 a.m. (the "AGM"), the AGM notice will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to attend and vote at the AGM, the Company's register of members will be closed from Tuesday, 2 May 2023 to Friday, 5 May 2023 (both dates inclusive), during which period no transfer of shares of the Company can be registered. In order to be eligible to attend the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 April 2023.

REVIEW BY THE AUDIT COMMITTEE

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems and to provide advice and comments to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2022.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website and the Company's website. The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Ahsay Backup Software Development Company Limited
Chong Siu Ning
Chairman and Executive Director

Hong Kong, 17 March 2023

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

This announcement will remain on the "Latest Listed Company Information" page on the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company's website at <http://www.ahsay.com.hk>.