



# 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



# 2020

## Third Quarterly Report



AhsayCBS



AhsayOBM



AhsayACB



AhsayPRD



AhsayUBS



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*This report, 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 report 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 report misleading.*





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Overview

During the nine months ended 30 September 2020 and 2019, the Group recorded revenue of approximately HK\$41.2 million and HK\$43.7 million respectively, representing a decrease of approximately 5.7%. The Group recorded a loss attributable to owners of the parent of approximately HK\$4.1 million for the nine months ended 30 September 2020 as compared to a loss of approximately HK\$0.7 million for the corresponding period in 2019.

The increase in loss was mainly attributable to (i) the decrease in revenue derived from the Group's online backup business as affected by the negative impacts from the on-going novel coronavirus ("COVID-19") pandemic which has disrupted global economic activities especially in Europe, (ii) the loss derived from the acquired subsidiary in Korea which is still in its investment stage, and (iii) the increase in staff cost mainly due to the increase in number of headcount for the expansion of the Philippines office and the decrease in development cost capitalised to focus on existing product refinement; and was partially offset by (i) new source of revenue derived from subscription of the Group's newly developed information platform and (ii) the recognition of government subsidy granted to the Group under The Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region ("HKSAR Government") as compared with the corresponding period in 2019.

### Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services and other services. Revenue of approximately HK\$41.2 million and HK\$43.7 million was recognised for the nine months ended 30 September 2020 and 2019 respectively, representing a decrease of approximately 5.7%.

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

### Other Income

Other income increased by approximately HK\$1.8 million or 138.5%, to approximately HK\$3.1 million for the nine months ended 30 September 2020 from approximately HK\$1.3 million for the nine months ended 30 September 2019. The increase in other income for the nine months ended 30 September 2020 was mainly due to the recognition of government subsidy granted to the Group under The Employment Support Scheme launched by the HKSAR Government as compared with the corresponding period in 2019.





### Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses which increased by approximately HK\$3.2 million or 9.8%, to approximately HK\$35.8 million for the nine months ended 30 September 2020 from approximately HK\$32.6 million for the nine months ended 30 September 2019.

The increase in staff costs and related expenses for the nine months ended 30 September 2020 was mainly due to (i) the decrease in development cost capitalised to focus on existing product refinement, (ii) the increase in number of headcount for the expansion of the Philippines office and (iii) salary increments as compared with the corresponding period in 2019.

### Other Expenses

Other expenses primarily comprised depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees and other regular office expenses such as utilities.

Other expenses for the nine months ended 30 September 2020 was approximately HK\$12.3 million, which was the same as compared with the corresponding period in 2019.

### Income Tax Expenses

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

### Loss for the Period

The Group recorded a loss of approximately HK\$4.5 million for the nine months ended 30 September 2020 as compared to a loss of approximately HK\$1.1 million for the corresponding period in 2019. Among the loss for the period, approximately HK\$5.3 million and HK\$2.1 million segment loss was incurred from the Group's core online backup business and information platform segment, respectively; and was offset by the other income of approximately HK\$3.1 million.

### Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with licensed 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 position. As at 30 September 2020, the Group's current assets were approximately HK\$77.7 million (31 December 2019: approximately HK\$91.2 million). The Group remained at a net cash position as at 30 September 2020 and 2019, respectively. Based on the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.





### **Charges on Assets of the Group**

As at 30 September 2020, there was no charge on assets of the Group (31 December 2019: nil).

### **Capital Structure**

The capital structure of the Company comprised of ordinary shares only. As at 30 September 2020, the Company's issued share capital was HK\$20.0 million with 2,000,000,000 issued shares of HK\$0.01 each.

### **Gearing Ratio**

As at 30 September 2020, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 1.8% (31 December 2019: 1.7%).

### **Capital commitments**

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

As of 31 December 2019, the total capital commitment by the Group amounted to 40.8 million Philippine Peso (equivalent to approximately HK\$6.3 million) which was made up of contractual commitment in respect of the acquisition of office unit and four parking slots in Manila, Philippines. The transaction was completed on 15 January 2020.

### **Contingent liabilities**

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

### **Segmental Information**

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

### **Material Acquisitions and Disposals**

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

## **BUSINESS REVIEW**

Starting from early 2020, the worldwide outbreak of the COVID-19 pandemic led to the temporary suspension of most of the business activities all round the world especially in Europe. The on-going COVID-19 pandemic has caused uncertainty to our business operation and to the global economic environment during the period. Our backup business was also affected. The revenue derived from the Group's online backup software and its related services decreased by approximately HK\$3.5 million or 8.0% for the nine months ended 30 September 2020.

On the other side, the new source of revenue was derived from subscription of the Group's newly developed information platform contributing to HK\$0.8 million of revenue.





Total revenue of the Group decreased by approximately HK\$2.5 million or 5.7% from approximately HK\$43.7 million for the nine months ended 30 September 2019 to approximately HK\$41.2 million for the nine months ended 30 September 2020.

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

The Group has also responded to the COVID-19 challenge immediately to protect the health of our employees and ensure continuous operation and services. The provision of a safe, healthy and harmonious working environment and well-being of employees are of ultimate priorities to the Group.

During the COVID-19 outbreak period, we echoed the government's call to adopt special working arrangements to allow our employees to work from home to minimize social gathering and adopted a rotation roster for employees who request to work in office to reduce the chances of infection. Employees were required to wear masks in office area at all times and meetings were via online video meeting software to avoid face to face contact and overseas business trips. As a result of the prompt measures taken, we sustained full operation during the nine months ended 30 September 2020.

To accommodate additional staff for our future operations, the Group completed the purchase of another office unit in the Philippines for its own use as office space in early 2020 and has continued the renovation process during the period.

## OUTLOOK

### Core Backup Business

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

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

### Information Platform

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





KINTIPS is a trading platform for horse racing and football tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website and mobile application.

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

Currently, mobile devices have become the preferred choice for every user to browse information and interact with others. With the Group's experience in the information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify its business into the mobile-application industry. For the nine months ended 30 September 2020, the revenue contribution of the information platform to the Group was not material.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 September 2020, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in Shares

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

Notes:

- As at 30 September 2020, the Company had 2,000,000,000 Shares in issue.
- As at 30 September 2020, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited ("Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.



Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2020, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Long Positions in Shares

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

Notes:

- As at 30 September 2020, the Company had 2,000,000,000 Shares in issue.
- All Divine held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future, which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.
- Ms. Wu Jui-fang is the spouse of Mr. Chong Siu Pui. By virtue of the SFO, Ms. Wu Jui-fang is deemed to be interested in the Shares in which Mr. Chong Siu Pui is interested.
- Ms. Li Yin Heung is the spouse of Mr. Chong Siu Ning. By virtue of the SFO, Ms. Li Yin Heung is deemed to be interested in the Shares in which Mr. Chong Siu Ning is interested.



Save as disclosed above, as at 30 September 2020, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Directors' Rights to Acquire Shares or Debentures**

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this report, at no time during the nine months ended 30 September 2020 and up to the date of this report, 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 nine months ended 30 September 2020, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

### **Compliance with the Code of Conduct for Directors' Securities Transactions**

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors for the nine months ended 30 September 2020.

### **Compliance with the Code on Corporate Governance**

The Company is committed to achieve high standards of corporate governance with a view to safeguarding the interests of its shareholders. The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2020.

### **Share Option Scheme**

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





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

During the nine months ended 30 September 2020 and up to the date of this report, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## Review by the Audit Committee

The Company has established an audit committee of the Board (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules and aligned with the provision of the code provisions set out in the CG Code. The Audit Committee's principal duties are, among other things, to review and supervise the Company's financial reporting process and internal control systems and to provide advice and comments to the Board. Members of the Audit Committee are Mr. Wong Yau Sing (chairman of the Audit Committee), Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man, all of them being independent non-executive Directors.

The third quarterly financial information of the Group for the nine months ended 30 September 2020 has not been audited. The Audit Committee has reviewed with management on the third quarterly financial information of the Group for the nine months ended 30 September 2020, the third 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, 6 November 2020



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

|                                                                               | NOTES | Three months ended<br>30 September |                                 | Nine months ended<br>30 September |                                 |
|-------------------------------------------------------------------------------|-------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                                                               |       | 2020<br>HK\$'000<br>(unaudited)    | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)   | 2019<br>HK\$'000<br>(unaudited) |
| Revenue                                                                       | 3     | 13,245                             | 14,475                          | 41,159                            | 43,711                          |
| Cost of inventories sold                                                      |       | (107)                              | —                               | (194)                             | (18)                            |
| Other income                                                                  | 4     | 1,792                              | 445                             | 3,072                             | 1,250                           |
| Other losses                                                                  |       | (54)                               | (7)                             | (86)                              | (13)                            |
| Staff costs and related expenses                                              | 5     | (12,672)                           | (10,702)                        | (35,822)                          | (32,566)                        |
| Other expenses                                                                | 6     | (3,910)                            | (3,900)                         | (12,287)                          | (12,348)                        |
| Finance costs                                                                 | 7     | (90)                               | (143)                           | (269)                             | (356)                           |
| (Loss) profits before tax                                                     |       | (1,796)                            | 168                             | (4,427)                           | (340)                           |
| Income tax (expenses) credit                                                  | 8     | 38                                 | (449)                           | (75)                              | (807)                           |
| <b>Loss for the period</b>                                                    |       | <b>(1,758)</b>                     | <b>(281)</b>                    | <b>(4,502)</b>                    | <b>(1,147)</b>                  |
| <b>Attributable to:</b>                                                       |       |                                    |                                 |                                   |                                 |
| Owners of the parent                                                          |       | (1,644)                            | 5                               | (4,064)                           | (727)                           |
| Non-controlling interests                                                     |       | (114)                              | (286)                           | (438)                             | (420)                           |
|                                                                               |       | <b>(1,758)</b>                     | <b>(281)</b>                    | <b>(4,502)</b>                    | <b>(1,147)</b>                  |
| <b>Other comprehensive income (expense)</b>                                   |       |                                    |                                 |                                   |                                 |
| <i>Item that may be reclassified to profit or loss in subsequent periods:</i> |       |                                    |                                 |                                   |                                 |
| Exchange differences arising on translation of foreign operations             |       | 349                                | (3)                             | 479                               | 37                              |
| Other comprehensive income (expense) for the period                           |       | 349                                | (3)                             | 479                               | 37                              |
| <b>Total comprehensive expense for the period</b>                             |       | <b>(1,409)</b>                     | <b>(284)</b>                    | <b>(4,023)</b>                    | <b>(1,110)</b>                  |
| <b>Attributable to:</b>                                                       |       |                                    |                                 |                                   |                                 |
| Owners of the parent                                                          |       | (1,295)                            | 2                               | (3,583)                           | (690)                           |
| Non-controlling interests                                                     |       | (114)                              | (286)                           | (440)                             | (420)                           |
|                                                                               |       | <b>(1,409)</b>                     | <b>(284)</b>                    | <b>(4,023)</b>                    | <b>(1,110)</b>                  |
| <b>Loss per share attributable to ordinary equity holders of the parent</b>   |       |                                    |                                 |                                   |                                 |
| — Basic and diluted (HK cent)                                                 | 10    | <b>(0.08)</b>                      | —                               | <b>(0.20)</b>                     | (0.04)                          |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

|                                                                   | Attributable to owners of the Parent |                              |                                                          |                                    |                                   | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|-------------------------------------------------------------------|--------------------------------------|------------------------------|----------------------------------------------------------|------------------------------------|-----------------------------------|-------------------|----------------------------------------------|--------------------------|
|                                                                   | Share<br>capital<br>HK\$'000         | Share<br>premium<br>HK\$'000 | Capital<br>and other<br>reserves<br>HK\$'000<br>(Note i) | Translation<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 |                   |                                              |                          |
| At 1 January 2019 (audited)                                       | 20,000                               | 72,435                       | 4,097                                                    | (29)                               | (19,351)                          | 77,152            | —                                            | 77,152                   |
| Loss for the period                                               | —                                    | —                            | —                                                        | —                                  | (727)                             | (727)             | (420)                                        | (1,147)                  |
| Other comprehensive income for the period                         |                                      |                              |                                                          |                                    |                                   |                   |                                              |                          |
| Exchange differences arising on translation of foreign operations | —                                    | —                            | —                                                        | 37                                 | —                                 | 37                | —                                            | 37                       |
| Total comprehensive (expense) income for the period               | —                                    | —                            | —                                                        | 37                                 | (727)                             | (690)             | (420)                                        | (1,110)                  |
| Acquisition of a subsidiary                                       | —                                    | —                            | —                                                        | —                                  | —                                 | —                 | (209)                                        | (209)                    |
| Acquisition of non-controlling interests                          | —                                    | —                            | —                                                        | —                                  | (664)                             | (664)             | 664                                          | —                        |
| At 30 September 2019 (unaudited)                                  | 20,000                               | 72,435                       | 4,097                                                    | 8                                  | (20,742)                          | 75,798            | 35                                           | 75,833                   |
| At 1 January 2020 (audited)                                       | <b>20,000</b>                        | <b>72,435</b>                | <b>3,356</b>                                             | <b>117</b>                         | <b>(19,240)</b>                   | <b>76,668</b>     | <b>51</b>                                    | <b>76,719</b>            |
| Loss for the period                                               | —                                    | —                            | —                                                        | —                                  | (4,064)                           | (4,064)           | (438)                                        | (4,502)                  |
| Other comprehensive income (expense) for the period               |                                      |                              |                                                          |                                    |                                   |                   |                                              |                          |
| Exchange differences arising on translation of foreign operations | —                                    | —                            | —                                                        | 481                                | —                                 | 481               | (2)                                          | 479                      |
| Total comprehensive (expense) income for the period               | —                                    | —                            | —                                                        | 481                                | (4,064)                           | (3,583)           | (440)                                        | (4,023)                  |
| At 30 September 2020 (unaudited)                                  | <b>20,000</b>                        | <b>72,435</b>                | <b>3,356</b>                                             | <b>598</b>                         | <b>(23,304)</b>                   | <b>73,085</b>     | <b>(389)</b>                                 | <b>72,696</b>            |

Note:

i. Capital and other reserves comprise:

- a debit amount of HK\$5,000 representing the difference between the fair value of the consideration paid in the amount of HK\$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, Mr. Chong Siu Ning (the "Controlling Shareholders") and the carrying amount of HK\$200,000 of the net assets attributable to the 100% equity interest in CloudBacko Corporation ("CloudBacko BVI") and Ahsay Service Centre Limited ("ASCL"), upon the transfer of 100% equity interest in CloudBacko BVI and ASCL from the Controlling Shareholders in April 2015;
- a credit amount of HK\$1,000,000 representing the difference between the par value of the share issued by Alpha Heritage Holdings Limited ("Alpha Heritage"), a wholly-owned subsidiary of the Company, and the share capital of Ahsay Systems Corporation Limited ("Ahsay HK"), upon the transfer of 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;
- a credit amount of HK\$2,000,000 representing the deemed capital contribution from the Controlling Shareholders with regard to waiver of amounts due to the shareholders in March 2015;
- a credit amount of HK\$1,102,000 representing the deemed capital contribution from the Controlling Shareholders upon disposal of the entire equity interest in Million Victory Investment Management Limited, a subsidiary of the Group, to a related company controlled by the Controlling Shareholders; and
- a debit amount of HK\$741,000 representing the difference between the amount by which the non-controlling interests are adjusted before and after the additional capital contribution from Ahsay HK.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

## 1. General

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

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

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

### 2.1 Basis of Preparation

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 has been prepared in accordance with Chapter 18 of the Rule Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

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

### 2.2 Changes in Accounting Policies

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

Amendments to HKFRS 3  
Amendments to HKFRS 9, HKAS 39 and HKFRS 7  
Amendment to HKFRS 16  
Amendments to HKAS 1 and HKAS 8

Definition of a Business  
Interest Rate Benchmark Reform  
Covid-19-Related Rent Concessions (early adopted)  
Definition of Material



## 2.2 Changes in Accounting Policies — continued

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information.

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

## 2.3 CURRENT YEAR PRIOR PERIODS ADJUSTMENTS

In preparing the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2020, the directors had noted that there was an apportionment error of revenue recognition in respect of certain software upgrades and maintenance services contracts adopted by the Group in its previously issued unaudited condensed consolidated financial statements. The amounts presented in the unaudited condensed consolidated financial statements in respect of the six months ended 30 June 2020 and three months ended 31 March 2020 have been restated. The effects of the above to the amounts presented in the unaudited condensed consolidated statement of profit or loss and other comprehensive income and financial position are summarised as below:

|                                                                             | Six months ended 30 June 2020 |                                     |                      | Three months ended 31 March 2020 |                                     |                      |
|-----------------------------------------------------------------------------|-------------------------------|-------------------------------------|----------------------|----------------------------------|-------------------------------------|----------------------|
|                                                                             | As reported<br>HK\$'000       | (Decrease)/<br>Increase<br>HK\$'000 | Restated<br>HK\$'000 | As reported<br>HK\$'000          | (Decrease)/<br>Increase<br>HK\$'000 | Restated<br>HK\$'000 |
| <b>Revenue</b>                                                              |                               |                                     |                      |                                  |                                     |                      |
| Software upgrades and maintenance services fee                              | 11,652                        | (597)                               | 11,055               | 5,848                            | (323)                               | 5,525                |
| <b>Loss for the period</b>                                                  | 2,147                         | 597                                 | 2,744                | 722                              | 323                                 | 1,045                |
| Attributable to:                                                            |                               |                                     |                      |                                  |                                     |                      |
| Owners of the parent                                                        | 1,823                         | 597                                 | 2,420                | 586                              | 323                                 | 909                  |
| <b>Loss per share attributable to ordinary equity holders of the parent</b> |                               |                                     |                      |                                  |                                     |                      |
| — Basic and diluted (HK cent)                                               | 0.09                          | 0.03                                | 0.12                 | 0.03                             | 0.02                                | 0.05                 |
| <b>Current liabilities</b>                                                  |                               |                                     |                      |                                  |                                     |                      |
| Contract liabilities                                                        | 14,100                        | 597                                 | 14,697               |                                  |                                     |                      |
| <b>Net assets</b>                                                           | 74,702                        | (597)                               | 74,105               |                                  |                                     |                      |

### 3. Revenue and Segment Information

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

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

- |                                                                                         |   |                                                                                                                                                        |
|-----------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Online backup software and related services segment                                     | — | Software license sales and leasing, provision of software upgrades and maintenance services, sales of hardware devices and provision of other services |
| Information platform segment (previously known as information sharing services segment) | — | Provision of information sharing services and an analysis tool                                                                                         |

#### Segment revenue and result

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

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

#### For the nine months ended 30 September 2020 (unaudited)

|                                                | Online backup software and related services<br>HK\$’000 | Information platform<br>HK\$’000 | Total<br>HK\$’000 |
|------------------------------------------------|---------------------------------------------------------|----------------------------------|-------------------|
| <b>Segment revenue — External</b>              |                                                         |                                  |                   |
| Software license sales                         | 5,853                                                   | —                                | 5,853             |
| Software license leasing                       | 16,745                                                  | —                                | 16,745            |
| Software upgrades and maintenance services fee | 16,626                                                  | —                                | 16,626            |
| Other services fee                             | 869                                                     | —                                | 869               |
| Sale of hardware devices                       | —                                                       | 178                              | 178               |
| Information sharing services income            | —                                                       | 89                               | 89                |
| Subscription fees                              | —                                                       | 799                              | 799               |
| <b>Total revenue</b>                           | <b>40,093</b>                                           | <b>1,066</b>                     | <b>41,159</b>     |
| <b>Timing of revenue recognition</b>           |                                                         |                                  |                   |
| At a point in time                             | 5,903                                                   | 267                              | 6,170             |
| Over time                                      | 34,190                                                  | 799                              | 34,989            |
|                                                | <b>40,093</b>                                           | <b>1,066</b>                     | <b>41,159</b>     |
| <b>Segment loss</b>                            | <b>(5,289)</b>                                          | <b>(2,124)</b>                   | <b>(7,413)</b>    |
| Unallocated incomes and expenses               |                                                         |                                  |                   |
| Other income                                   |                                                         |                                  | 3,072             |
| Other losses                                   |                                                         |                                  | (86)              |
| <b>Loss before tax</b>                         |                                                         |                                  | <b>(4,427)</b>    |

### 3. Revenue and Segment Information — continued

For the nine months ended 30 September 2019 (unaudited)

|                                                | Online backup software and related services<br>HK\$'000 | Information platform<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------|---------------------------------------------------------|----------------------------------|-------------------|
| <b>Segment revenue — External</b>              |                                                         |                                  |                   |
| Software license sales                         | 5,236                                                   | —                                | 5,236             |
| Software license leasing                       | 19,866                                                  | —                                | 19,866            |
| Software upgrades and maintenance services fee | 17,275                                                  | —                                | 17,275            |
| Other services fee                             | 1,184                                                   | —                                | 1,184             |
| Sales of hardware devices                      | 25                                                      | —                                | 25                |
| Information sharing services income            | —                                                       | 125                              | 125               |
| <b>Total revenue</b>                           | <b>43,586</b>                                           | <b>125</b>                       | <b>43,711</b>     |
| <b>Timing of revenue recognition</b>           |                                                         |                                  |                   |
| At a point in time                             | 5,310                                                   | 125                              | 5,435             |
| Over time                                      | 38,276                                                  | —                                | 38,276            |
|                                                | 43,586                                                  | 125                              | 43,711            |
| <b>Segment profit (loss)</b>                   |                                                         |                                  |                   |
| Unallocated incomes and expenses               | 4,313                                                   | (5,890)                          | (1,577)           |
| Other income                                   |                                                         |                                  | 1,250             |
| Other losses                                   |                                                         |                                  | (13)              |
| <b>Loss before tax</b>                         |                                                         |                                  | <b>(340)</b>      |

### 4. Other Income

|                                                      | Three months ended<br>30 September |                                 | Nine months ended<br>30 September |                                 |
|------------------------------------------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                                      | 2020<br>HK\$'000<br>(unaudited)    | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)   | 2019<br>HK\$'000<br>(unaudited) |
| Bank interest income                                 | 138                                | 420                             | 823                               | 1,151                           |
| Interest income on refundable rental deposits        | 7                                  | 7                               | 20                                | 18                              |
| Interest income on financial asset at amortised cost | 13                                 | —                               | 13                                | —                               |
| Government subsidies (Note)                          | 1,613                              | —                               | 2,151                             | —                               |
| Sundry income                                        | 21                                 | 18                              | 65                                | 81                              |
|                                                      | <b>1,792</b>                       | <b>445</b>                      | <b>3,072</b>                      | <b>1,250</b>                    |

Note: Government subsidies related to cash subsidy granted by the Government of the Hong Kong Special Administrative Region under The Employment Support Scheme. During the nine months ended 30 September 2020, approximately HK\$3,226,000 has been received, in which approximately HK\$2,151,000 has been recognised.

## 5. Staff Costs and Related Expenses

|                                                                                           | Three months ended<br>30 September |             | Nine months ended<br>30 September |             |
|-------------------------------------------------------------------------------------------|------------------------------------|-------------|-----------------------------------|-------------|
|                                                                                           | 2020                               | 2019        | 2020                              | 2019        |
|                                                                                           | HK\$'000                           | HK\$'000    | HK\$'000                          | HK\$'000    |
|                                                                                           | (unaudited)                        | (unaudited) | (unaudited)                       | (unaudited) |
| Directors' emoluments                                                                     | 2,548                              | 2,355       | 7,644                             | 7,064       |
| Other staff costs                                                                         |                                    |             |                                   |             |
| — Salaries, allowances and benefits in kind and performance and other bonus               | 9,632                              | 8,652       | 27,209                            | 25,745      |
| — Retirement benefits scheme contributions, excluding directors' retirement contributions | 282                                | 211         | 841                               | 724         |
| Total directors' and staff costs                                                          | 12,462                             | 11,218      | 35,694                            | 33,533      |
| Less: Development costs capitalised                                                       | —                                  | (711)       | (253)                             | (1,555)     |
| Total directors' and staff cost, net of development costs capitalised                     | 12,462                             | 10,507      | 35,441                            | 31,978      |
| Staff related expenses                                                                    | 210                                | 195         | 381                               | 588         |
| Staff costs and related expenses                                                          | 12,672                             | 10,702      | 35,822                            | 32,566      |
| Research and development costs included in staff costs and related expenses               | 5,207                              | 2,771       | 13,391                            | 8,759       |

## 6. Other Expenses

|                                               | Three months ended<br>30 September |             | Nine months ended<br>30 September |             |
|-----------------------------------------------|------------------------------------|-------------|-----------------------------------|-------------|
|                                               | 2020                               | 2019        | 2020                              | 2019        |
|                                               | HK\$'000                           | HK\$'000    | HK\$'000                          | HK\$'000    |
|                                               | (unaudited)                        | (unaudited) | (unaudited)                       | (unaudited) |
| Auditor's remuneration                        | 200                                | 200         | 600                               | 600         |
| Advertising and marketing expenses            | 569                                | 482         | 1,749                             | 1,959       |
| Amortisation of other intangible assets       | 400                                | 386         | 1,238                             | 1,159       |
| Legal and professional fees                   | 248                                | 414         | 1,216                             | 1,416       |
| Depreciation of property, plant and equipment | 301                                | 147         | 820                               | 454         |
| Depreciation of right-of-use assets           | 738                                | 729         | 2,213                             | 2,163       |
| Expenses related to short-term leases         | 45                                 | 55          | 130                               | 120         |
| Rates and property management fee             | 175                                | 130         | 458                               | 387         |
| Merchant credit card charges                  | 278                                | 290         | 1,027                             | 934         |
| Electricity and water                         | 90                                 | 100         | 246                               | 268         |
| Others                                        | 866                                | 967         | 2,590                             | 2,888       |
|                                               | 3,910                              | 3,900       | 12,287                            | 12,348      |

## 7. Finance Costs

|                       | Three months ended<br>30 September |             | Nine months ended<br>30 September |             |
|-----------------------|------------------------------------|-------------|-----------------------------------|-------------|
|                       | 2020                               | 2019        | 2020                              | 2019        |
|                       | HK\$'000                           | HK\$'000    | HK\$'000                          | HK\$'000    |
|                       | (unaudited)                        | (unaudited) | (unaudited)                       | (unaudited) |
| Interest expenses on: |                                    |             |                                   |             |
| Lease liabilities     | 74                                 | 108         | 224                               | 321         |
| Other borrowings      | 16                                 | 35          | 45                                | 35          |
|                       | <b>90</b>                          | <b>143</b>  | <b>269</b>                        | <b>356</b>  |

## 8. Income Tax Expenses (Credit)

|                       | Three months ended<br>30 September |             | Nine months ended<br>30 September |             |
|-----------------------|------------------------------------|-------------|-----------------------------------|-------------|
|                       | 2020                               | 2019        | 2020                              | 2019        |
|                       | HK\$'000                           | HK\$'000    | HK\$'000                          | HK\$'000    |
|                       | (unaudited)                        | (unaudited) | (unaudited)                       | (unaudited) |
| Current tax:          |                                    |             |                                   |             |
| Hong Kong Profits Tax | 41                                 | 372         | 110                               | 783         |
| Deferred tax          | (79)                               | 77          | (35)                              | 24          |
|                       | <b>(38)</b>                        | <b>449</b>  | <b>75</b>                         | <b>807</b>  |

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

Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the period ended 30 September 2020 and 30 September 2019, respectively.

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

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

## 9. Dividends

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

## 10. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

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

|                                                                       | Three months ended<br>30 September |                                 | Nine months ended<br>30 September |                                 |
|-----------------------------------------------------------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                                                       | 2020<br>HK\$'000<br>(unaudited)    | 2019<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited)   | 2019<br>HK\$'000<br>(unaudited) |
| (Loss) earnings attributable to ordinary equity holders of the parent | (1,644)                            | 5                               | (4,064)                           | (727)                           |

|                                                                                                           | Three months ended<br>30 September |              | Nine months ended<br>30 September |              |
|-----------------------------------------------------------------------------------------------------------|------------------------------------|--------------|-----------------------------------|--------------|
|                                                                                                           | 2020<br>'000                       | 2019<br>'000 | 2020<br>'000                      | 2019<br>'000 |
| <b>Number of shares</b>                                                                                   |                                    |              |                                   |              |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | 2,000,000                          | 2,000,000    | 2,000,000                         | 2,000,000    |

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

## 11. Reserves

Movement in the reserves of the Group during the periods are set out in the condensed consolidated statement of changes in equity on page 11 to this report.

## 12. Business Combination

On 29 April 2019, the Group's wholly-owned subsidiary, Ahsay HK, entered into a shareholder agreement (the "Shareholder Agreement") with Ms. Kim Sun Hee, Ms. Kim Hyeon OK, Mr. Lee Sang Don, Mr. Yu Chulkyun and Mr. Park Sung-IL (collectively known as the "Existing Shareholders"), pursuant to which the Group agreed to subscribe to 20,000 ordinary shares of Ahsay Korea Co., Ltd ("Ahsay Korea"), formerly known as HM Systems Co. Ltd, for a cash consideration amounting to KRW100,000,000 (equivalent to approximately HK\$670,000) and the Group will further invest an additional 30,000 ordinary shares of Ahsay Korea for an additional cash consideration amounting to KRW150,000,000 (equivalent to approximately HK\$1,005,000). As at the date of acquisition, the Group held 28.57% of the shares of Ahsay Korea.

Thereafter, the Group has further invested additional ordinary shares of Ahsay Korea to an aggregate cash consideration amounting to KRW300,000,000 (equivalent to approximately HK\$2,022,000). As at 30 September 2020 and 31 December 2019, the Group held 52.17% of the shares of Ahsay Korea.

## 12. Business Combination — continued

Based on the Shareholder Agreement, the composition of the board of directors of Ahsay Korea shall consist of four directors and the Existing Shareholders shall be entitled to appoint two directors and Ahsay HK shall be entitled to appoint two directors. In addition, Ahsay HK has the right to nominate the chairman of the board of directors of Ahsay Korea and the chairman is entitled to a final vote in case of an equality of votes at a board meeting. The directors of the Company concluded that the final vote of the chairman is substantive, as it provides Ahsay HK the power over the relevant activities, which are directed by voting rights of the board of directors of Ahsay Korea. As at 30 September 2020, Ahsay HK has appointed two directors as board of directors of Ahsay Korea and one of the directors, being the representative of Ahsay HK, is the chairman of Ahsay Korea.

Furthermore, the Shareholder Agreement also states that Ahsay HK and the Existing Shareholders shall ensure that they, their representatives, proxies and agents shall exercise their votes in a manner in compliance with the provisions of the Shareholder Agreement.

As such, Ahsay HK has sufficient dominant voting rights to direct the relevant activities of Ahsay Korea, and therefore, the directors of the Company are of the view that the Group had control over Ahsay Korea on 29 April 2019. As a result, the Group applied the acquisition method in accounting for the acquisition of the subsidiary.

Ahsay Korea was previously one of the Group's distributors of the backup software in Korea and was acquired by the Group with the objective of expanding and developing the Group's core backup business in Korea.

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

|                                                  | Provisional<br>fair value<br>recognised<br>on acquisition<br>HK\$'000 | Finalised<br>fair value<br>recognised<br>on acquisition<br>HK\$'000 |
|--------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|
| Property, plant and equipment                    | 12                                                                    | 12                                                                  |
| Right-of-use assets                              | 109                                                                   | 109                                                                 |
| Other intangible assets                          | —                                                                     | 167                                                                 |
| Rental deposits paid                             | 38                                                                    | 38                                                                  |
| Trade and other receivables                      | 364                                                                   | 364                                                                 |
| Cash and bank balances                           | 684                                                                   | 684                                                                 |
| Other payables and accruals                      | (232)                                                                 | (232)                                                               |
| Lease liabilities                                | (103)                                                                 | (103)                                                               |
| Contract liabilities                             | (217)                                                                 | (217)                                                               |
| Other borrowings                                 | (948)                                                                 | (948)                                                               |
| Total identifiable net liabilities at fair value | (293)                                                                 | (126)                                                               |
| Non-controlling interests                        | 209                                                                   | 209                                                                 |
| Goodwill on acquisition                          | 754                                                                   | 587                                                                 |
| Satisfied by cash                                | 670                                                                   | 670                                                                 |



## 12. Business Combination — continued

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

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

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

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

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

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

The non-controlling interest (71.43%) in Ahsay Korea recognised at the acquisition date was measured by reference to the proportionate share of the identifiable net liabilities of Ahsay Korea and amounted to HK\$209,000.

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

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

