



FUTURE DATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229



2016
Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Future Data Group Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Suh Seung Hyun
Mr. Phung Nhuong Giang
Mr. Lee Seung Han
Mr. Ryoo Seong Ryul
Mr. Park Hyeoung Jin

Independent non-executive Directors

Mr. Ho Kam Shing, Peter
Mr. Ngan Chi Keung
Mr. Wong Sik Kei

BOARD COMMITTEES

Audit committee

Mr. Ngan Chi Keung (*Chairman*)
Mr. Ho Kam Shing, Peter
Mr. Wong Sik Kei

Remuneration committee

Mr. Wong Sik Kei (*Chairman*)
Mr. Ngan Chi Keung
Mr. Ho Kam Shing, Peter

Nomination committee

Mr. Ho Kam Shing, Peter (*Chairman*)
Mr. Ngan Chi Keung
Mr. Wong Sik Kei

COMPLIANCE OFFICER

Mr. Lee Seung Han

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

14/F-15/F, Deokmyeong Building
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COMPANY SECRETARY

Ms. Ngai Kit Fong

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Ngai Kit Fong

AUDITORS

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COMPLIANCE ADVISER

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Solicitors, Hong Kong
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STOCK CODE

8229

FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

- The unaudited revenue of the Group for the six months ended 30 June 2016 was HK\$223 million representing an increase of approximately HK\$13 million, or 6.2%, as compared to the six months ended 30 June 2015.
- The unaudited loss after tax for the six months ended 30 June 2016 was HK\$5.3 million, representing a decrease of approximately HK\$10.9 million or 194.6%, as compared to the profit after tax of approximately HK\$5.6 million for the six months ended 30 June 2015. Such unaudited loss included, as highlighted in the Prospectus, the non-recurring Listing expenses of HK\$9.6 million (six months ended 30 June 2015: nil).
- Unaudited basic loss per share for the six months ended 30 June 2016 was 1.76 HK cents (six months ended 30 June 2015: basic earnings per share of 1.86 HK cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

The board of Directors (the “Board”) presents the unaudited condensed consolidated interim financial statements of the Group for the three months and six months ended 30 June 2016, together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)
Revenue	3	133,921	118,402	223,424	210,289
Cost of sales		(116,409)	(102,785)	(189,009)	(177,204)
Gross profit		17,512	15,617	34,415	33,085
Other income		312	658	925	658
Selling and administrative expenses		(15,725)	(13,600)	(29,595)	(26,638)
Listing expenses		(4,749)	—	(9,649)	—
Finance costs		(57)	(42)	(125)	(92)
(Loss)/Profit before income tax	4	(2,707)	2,633	(4,029)	7,013
Income tax expense	5	(534)	(731)	(1,256)	(1,423)
(Loss)/Profit for the period		(3,241)	1,902	(5,285)	5,590
Other comprehensive income for the period					
Item that will be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(833)	(333)	1,356	(1,395)
Total other comprehensive income		(833)	(333)	1,356	(1,395)
Total comprehensive income for the period		(4,074)	1,569	(3,929)	4,195
(Loss)/Earnings per share					
Basic and Diluted (HK cents)	6	(1.08)	0.63	(1.76)	1.86

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		11,613	12,612
Available-for-sale financial assets	8	6,136	5,914
Deposits		4,637	4,423
Deferred tax assets		3,103	3,054
		25,489	26,003
Current assets			
Inventories	9	14,867	8,326
Trade and other receivables	10	77,379	97,318
Amounts due from contract customers	11	1,597	8,658
Prepayments		9,029	5,786
Fixed bank deposits		6,118	4,815
Pledged fixed bank deposits		3,350	—
Cash and cash equivalents		35,794	71,243
		148,134	196,146
Current liabilities			
Trade and other payables	12	71,291	133,476
Amounts due to contract customers	11	14,366	2,305
Amount due to AMS	13	—	6,341
Bank borrowings	14	13,491	11,887
Current-portion of obligations under finance leases		35	77
Tax payable		1,142	2,576
		100,325	156,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 HK\$' 000 (unaudited)	As at 31 December 2015 HK\$' 000 (audited)
Net current assets		<u>47,809</u>	<u>39,484</u>
Total assets less current liabilities		<u>73,298</u>	<u>65,487</u>
Non-current liabilities			
Defined benefit obligations		1,538	1,102
Obligations under finance leases		15	32
		<u>1,553</u>	<u>1,134</u>
Net assets		<u><u>71,745</u></u>	<u><u>64,353</u></u>
EQUITY			
Share capital		—	3,684
Reserves		<u>71,745</u>	<u>60,669</u>
Total equity		<u><u>71,745</u></u>	<u><u>64,353</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$' 000	Capital reserve* HK\$' 000	Investment revaluation reserve* HK\$' 000	Research and development reserve* HK\$' 000	Foreign exchange reserve* HK\$' 000	Legal reserve* HK\$' 000	Retained earnings* HK\$' 000	Total equity HK\$' 000
At 1 January 2016 (audited)	3,684	—	—	3,674	(7,338)	1,530	62,803	64,353
Loss for the period	—	—	—	—	—	—	(5,285)	(5,285)
Exchange differences arising on translation of foreign operations	—	—	—	—	1,356	—	—	1,356
Issue of shares by subsidiaries	11,321	—	—	—	—	—	—	11,321
Effects of group reorganisation	(15,005)	15,005	—	—	—	—	—	—
Issue of shares by Company	—	—	—	—	—	—	—	—
At 30 June 2016 (unaudited)	<u>—</u>	<u>15,005</u>	<u>—</u>	<u>3,674</u>	<u>(5,982)</u>	<u>1,530</u>	<u>57,518</u>	<u>71,745</u>
At 1 January 2015 (audited)	3,674	—	44	3,674	(2,260)	1,530	56,022	62,684
Profit for the period	—	—	—	—	—	—	5,590	5,590
Exchange differences arising on translation of foreign operations	—	—	—	—	(1,395)	—	—	(1,395)
At 30 June 2015 (unaudited)	<u>3,674</u>	<u>—</u>	<u>44</u>	<u>3,674</u>	<u>(3,655)</u>	<u>1,530</u>	<u>61,612</u>	<u>66,879</u>

* The total of these balances represents "Reserves" in the condensed consolidated statement of financial position.

As at 30 June 2016, the issued share capital of the Company is HK\$10 comprising of 1,000 shares of HK\$0.01 each and therefore presented as nil in the condensed consolidated statement of changes in equity for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)
Net cash (used in)/generated from operating activities	(31,581)	3,053
Net cash used in investing activities	(4,846)	(6,287)
Net cash generated from financing activities	527	5,749
Net (decrease)/increase in cash and cash equivalents	(35,900)	2,515
Cash and cash equivalents at beginning of period	71,243	29,831
Effect of exchange rate changes on cash and cash equivalents	451	(590)
Cash and cash equivalents at end of period	<u>35,794</u>	<u>31,756</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>35,794</u>	<u>31,756</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The principal activity of the Company is investment holding. The Company and the companies now comprising the Group are principally engaged in the provision of (i) integrated systems with network connectivity, cloud computing and security elements and (ii) maintenance service (“Business”).

2. BASIS OF PREPARATION, GROUP REORGANISATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements under Hong Kong Financial Reporting Standards (“HKFRS”). They should be read in conjunction with the financial information of the Group incorporated in the accountants’ report (the “Accountants’ Report”) of the financial information relating to the Group for each of the years ended 31 December 2014 and 2015 (the “Financial Information”) as set out in Appendix I to the prospectus of the Company dated 29 June 2016 (“Prospectus”). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Financial Information.

The functional currency of the Company’s principal operating subsidiary, Global Telecom Company Limited (“Global Telecom”) is South Korean Won (“KRW”), while the condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”). As the Company’s shares (the “Shares”) are listed on the GEM of the Stock Exchange, the directors consider that it is more appropriate to adopt HK\$ as the Group’s presentation currency.

In preparation of the listing of the Shares on GEM (the “Listing”), the Group underwent a corporate reorganisation (“Reorganisation”) to rationalise its Group structure. Prior to the Reorganisation, Global Telecom was wholly-owned by a corporate shareholder, Asia Media Systems Pte. Ltd. (“AMS”). The controlling shareholders of AMS are Mr. Phung Nhuong Giang, Mr. Lee Seung Han, Mr. Suh Seung Hyun and Mr. Park Hyeoung Jin. Pursuant to the Reorganisation to prepare for the Listing as more fully explained in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company has since 20 June 2016 become the holding company of its subsidiaries now comprising the Group. Immediately prior to the completion of the Reorganisation, the Business has been conducted through Global Telecom. Pursuant to the Reorganisation, Global Telecom is transferred to and held by the Company indirectly through SuperChips Limited. Upon completion of the Reorganisation, the Company is wholly-owned by LiquidTech Limited which is wholly-owned by AMS. The Company has not been involved in any business prior to the Reorganisation. The Reorganisation is merely a reorganisation of the structure of the Group with no change in management of the Business. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated interim financial statements have been prepared on a combined basis as if the current group structure had been in existence since 1 January 2015, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION, GROUP REORGANISATION AND ACCOUNTING POLICIES – *continued*

On 1 January 2016, the Group has adopted all the new and revised HKFRS, amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRS, amendments and interpretations does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior period.

3. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company (the "Executive Directors") are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance. The Executive Directors review the performance of the Group mainly from the service perspective. The Group is organised into two segments engaged in:

- (i) system integration; and
- (ii) maintenance service

The Executive Directors assess the performance of the operating segments based on a measure of gross profit of each segment, which is consistent with that of the condensed consolidated interim financial statements. The revenue reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

	Three months ended 30 June					
	2016			2015		
	System integration	Maintenance service	Total	System integration	Maintenance service	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total segment revenue	<u>111,440</u>	<u>22,481</u>	<u>133,921</u>	<u>98,271</u>	<u>20,131</u>	<u>118,402</u>
Gross profit/segment results	10,207	7,305	17,512	8,689	6,928	15,617
Other income			312			658
Selling and administrative expenses			(15,725)			(13,600)
Listing expenses			(4,749)			–
Finance costs			(57)			(42)
(Loss)/Profit before income tax			(2,707)			2,633
Income tax expense			(534)			(731)
(Loss)/Profit for the period			<u>(3,241)</u>			<u>1,902</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION – *continued*

	Six months ended 30 June					
	2016			2015		
	System integration	Maintenance service	Total	System integration	Maintenance service	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total segment revenue	<u>183,286</u>	<u>40,138</u>	<u>223,424</u>	<u>179,180</u>	<u>31,109</u>	<u>210,289</u>
Gross profit/segment results	20,247	14,168	34,415	22,151	10,934	33,085
Other income			925			658
Selling and administrative expenses			(29,595)			(26,638)
Listing expenses			(9,649)			–
Finance costs			(125)			(92)
(Loss)/Profit before income tax			(4,029)			7,013
Income tax expense			(1,256)			(1,423)
(Loss)/Profit for the period			<u>(5,285)</u>			<u>5,590</u>

During each of the periods presented, there is no single customer who contributed to 10% or more of the Group's revenue.

During each of the periods presented, all the Group's revenue is derived from Korea based on the location of the headquarters of the Group's customers.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)
Costs of inventories recognised as expenses	84,742	72,975	131,988	123,291
Employee costs	17,533	15,070	33,755	27,732
Subcontracting costs	10,764	12,202	19,782	25,870
Listing expenses	4,749	—	9,649	—
Depreciation of property, plant and equipment	1,020	849	2,009	1,624
Research and development costs	566	666	1,125	1,247
Loss on disposal of property, plant and equipment	—	—	—	131
Minimum lease payments in respect of rented premises	409	433	805	790
	<u>409</u>	<u>433</u>	<u>805</u>	<u>790</u>

5. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)
Current tax	296	149	1,306	1,187
Deferred tax	238	582	(50)	236
Total	<u>534</u>	<u>731</u>	<u>1,256</u>	<u>1,423</u>

Global Telecom is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively “Korean Corporate Income Tax”). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during each of the periods presented. No Hong Kong Profits Tax has been provided as Future Data Limited (“Future Data”) which was incorporated in October 2015 did not have assessable profits which are subject to tax during the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period and on the basis that 300,000,000 ordinary shares had been in issue throughout the period from 1 January 2015 to 30 June 2016. The diluted and basic (loss)/earnings per share are the same as there are no dilutive potential shares in existence during the period from 1 January 2015 to 30 June 2016.

7. DIVIDEND

The Company did not pay any dividend during the six months ended 30 June 2016.

During the six months ended 30 June 2016, Global Telecom paid dividend of US\$689,000 (equivalent to HK\$5,325,000) (six months ended 30 June 2015: nil). The dividend paid represented 2014 interim dividend declared by Global Telecom to AMS which was its then sole shareholder.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS — NON-CURRENT

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Unlisted equity securities, as cost:		
Korea Software Financial Cooperative ("KSFC")	2,015	1,979
Korea Communications Industry Cooperative ("KCIC")	30	29
	<u>2,045</u>	<u>2,008</u>
Savings-type insurance policies, at account values	4,091	3,906
	<u>6,136</u>	<u>5,914</u>

The details of the investee companies were set out in the Accountants' Report.

During the insured periods covered by the insurance policies, Global Telecom can earn interest income which is linked to the then prevailing market saving interest rates. The Directors consider that the account values of these insurance policies provided by insurance companies approximate their fair values.

The account values of the insurance policies are grouped under Level 2 of the fair value hierarchy under HKFRS 13. There were no transfers between the three levels during each of the periods presented.

9. INVENTORIES

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Hardware and software	<u>14,867</u>	<u>8,326</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Trade debtors	81,556	100,991
Less: Provision for impairment of trade receivables	<u>(7,123)</u>	<u>(6,611)</u>
Trade receivables, net (note (a))	74,433	94,380
Retention money receivable	2,316	2,275
Short-term loans to employees	578	633
Accrued interest	<u>52</u>	<u>30</u>
	<u><u>77,379</u></u>	<u><u>97,318</u></u>

- (a) The credit term granted by the Group to its trade customers is normally 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables net of impairment provision is as follows:

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
0 - 90 days	56,134	72,119
91 - 180 days	5,590	14,532
181 - 365 days	11,683	6,260
1 - 2 years	196	399
Over 2 years	<u>830</u>	<u>1,070</u>
	<u><u>74,433</u></u>	<u><u>94,380</u></u>

The movement in the allowance for impairment of trade receivables is as follows:

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Carrying amount at 1 January 2016/1 January 2015	6,611	6,125
Impairment losses recognised	—	1,371
Written off	—	(401)
Exchange realignment	<u>512</u>	<u>(484)</u>
Carrying amount at 30 June 2016/31 December 2015	<u><u>7,123</u></u>	<u><u>6,611</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	132,787	67,401
Less: Progress billings	<u>(145,556)</u>	<u>(61,048)</u>
	<u>(12,769)</u>	<u>6,353</u>
Analysed for reporting purposes as:		
Amounts due from contract customers	1,597	8,658
Amounts due to contract customers	<u>(14,366)</u>	<u>(2,305)</u>
	<u>(12,769)</u>	<u>6,353</u>

12. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Trade payables (note (a))	49,465	111,583
Accruals and other payables	18,455	14,479
Advance receipts	582	3,509
Value-added tax payables	2,789	3,905
	<u>71,291</u>	<u>133,476</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES – *continued*

- (a) Credit periods granted by suppliers and subcontractors normally range from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
0 - 30 days	30,280	72,813
31 - 60 days	3,727	12,857
61 - 90 days	1,600	2,408
91 - 180 days	5,137	17,726
181 - 365 days	8,333	5,403
Over 1 year	388	376
	<u>49,465</u>	<u>111,583</u>

13. AMOUNT DUE TO AMS

This represented the Listing expenses paid by AMS on behalf of the Group. The balance is unsecured, interest-free, denominated in US\$ and repayable on 27 October 2016 or such date as may be agreed between AMS and Future Data. The carrying amount approximates its fair value. The loan amount was capitalised as part of the Reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. BANK BORROWINGS

	30 June 2016 HK\$' 000 (unaudited)	31 December 2015 HK\$' 000 (audited)
Unsecured:		
– Bank loans	8,844	6,302
– Bills payable	1,616	2,213
	<u>10,460</u>	<u>8,515</u>
Guaranteed:		
– Bills payable	1,844	1,050
– Other borrowings	1,187	2,322
	<u>3,031</u>	<u>3,372</u>
Total borrowings due for repayment within one year	<u><u>13,491</u></u>	<u><u>11,887</u></u>

As at 30 June 2016, bank borrowings by Global Telecom of HK\$3,031,000 were supported by corporate guarantees of the Company.

15. RELATED PARTY TRANSACTIONS

Apart from the amount due to AMS as disclosed in note 13, during the periods set out below, the Group entered into the following transactions with related parties:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)	2015 HK\$' 000 (unaudited)
(a) Interest income earned by Global Telecom from advances made to Mr. Lee Seung Han who is Vice President of Global Telecom and director of the Company	<u>–</u>	<u>62</u>	<u>–</u>	<u>62</u>
(b) Remuneration of directors and other members of key management	<u>1,785</u>	<u>2,271</u>	<u>3,486</u>	<u>4,109</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS – *continued*

- (c) As at 31 December 2015, Mr. Suh Seung Hyun, CEO of Global Telecom and Chairman of the Company, provided personal guarantees in support of banking facilities and guarantees provided by KSFC to Global Telecom. As at 30 June 2016, all the personal guarantees provided by Mr. Suh Seung Hyun were released.

16. SUBSEQUENT EVENTS

In connection with the Listing on 8 July 2016 (the “Listing Date”), 100,000,000 shares of HK\$0.01 each of the Company were issued at an issue price of HK\$0.58 and listed on GEM.

Upon the creation of the Company’s share premium account of HK\$57,000,000 as a result of the Listing, an amount of HK\$2,999,990 standing to the credit of the share premium account of the Company has been capitalised by applying such sum towards paying up in full at par a total of 299,999,000 shares for allotment and issue to the persons whose name appear on the register of members as at the close of business on 21 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1997, we are a Korea based company principally engaged in the provision of integrated systems and maintenance service. The Listing of the Company's shares on GEM on 8 July 2016 by way of placing marked a step forward of the Group into its next stage of growth.

FINANCIAL REVIEW

Results from Operations

For the six months ended 30 June 2016, the Group recorded a revenue of approximately HK\$223 million, all of which was contributed from our Korea's operating subsidiary, Global Telecom. Relative to the same period in 2015, revenue has increased by 6.2%, mainly attributable to an increase in maintenance service revenue. As a segment, maintenance service revenue edged up 29% to approximately HK\$40 million for the six months ended 30 June 2016. Of the HK\$183 million revenue derived from system integration segment, the public sector represents significant contribution in this reporting period. For instance, Incheon Airport, which is a public sector customer contributed approximately HK\$36 million to our recorded revenue. Other notable public sector customers of our top 20 clients for the period include Siheung, Bucheon and Jeju city government; and government agency in electric utility and defense. The named public sector clients represent recurring businesses for the Group.

The Group's gross profit increased slightly by approximately 4%, from HK\$33 million for the six months ended 30 June 2015 to HK\$34.4 million for the six months ended 30 June 2016. The gross profit margin remains stable at around 15%.

Selling and administrative expenses for the six months ended 30 June 2016 was approximately HK\$30 million, (30 June 2015: approximately HK\$26.6 million) representing an increase of HK\$3.4 million or 11.1% mainly due to increase of commission expenses and insurance expenses.

As a direct result of the non-recurring Listing expenses stated above, the Group recorded a loss before tax for the six months ended 30 June 2016 of approximately HK\$4 million. Excluding the non-recurring Listing expenses, the Group would have recorded a profit before tax of approximately HK\$5.6 million (30 June 2015: a profit before tax of approximately HK\$7 million), representing a decrease of HK\$1.4 million or 20% relative to the same period in 2015.

Our Korea's operations recorded an income tax expense of approximately HK\$1.3 million for this reporting period. As a result, our Group's performance showed a loss after tax of approximately HK\$5.3 million. Again, excluding the non-recurring Listing expenses, the net profit after tax for the six months ended 30 June 2016 would have been HK\$4.3 million, representing a decrease of HK\$1.3 million or 23.2% compared to that of 2015.

Balance Sheet Summary

The Group recorded non-current assets of HK\$25.5 million as at 30 June 2016. This amount is comparable to that recorded as at 31 December 2015.

Our current assets was HK\$148 million as at 30 June 2016, which is less than that as at 31 December 2015 of HK\$196 million, by an amount of HK\$48 million. This was due mainly to a reduction in cash and bank balances of approximately HK\$35.4 million, lower trade receivables of approximately HK\$19.9 million, and offset by an increase in inventories of HK\$6.5 million recorded as at 30 June 2016 compared to that as at 31 December 2015.

In line with the reduction of current assets, our current liabilities were also reduced to HK\$100 million as at 30 June 2016, from HK\$157 million as at 31 December 2015. This reduction of approximately HK\$57 million was a result of paying down amounts due to our suppliers. As such, our trade payables were reduced to HK\$49 million as at 30 June 2016 from HK\$112 million as at the end of last year.

Non-current liabilities is not significant as it only includes our Korean employee's long term benefits (or better known as employee's superannuation). Our Group has yet to incur any employee's superannuation for the Company and Hong Kong subsidiary of the Group in this reporting period.

As a result, our Group recorded an increase in total equity to approximately HK\$72 million as at 30 June 2016, from approximately HK\$64 million as at 31 December 2015.

Liquidity and Financial Resources

Before the Listing, the Group's operations were mainly financed by external financing and internal resources. Following the placing and the Listing, the Group's operations will be financed by a combination of internal resources, external financing and net proceeds from the placing, and this enables the Group to expand in accordance with its business directions.

As at 30 June 2016, the total equity of the Group amounted to approximately HK\$72 million. Current assets amounted to approximately HK\$148 million. The total debt of the Group amounted to approximately HK\$13.5 million, and its current liabilities amounted to approximately HK\$100 million.

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 30 June 2016, the gearing ratio was 18.9% (as at 31 December 2015: 28.5%). The decrease in ratio was mainly due to the capitalisation of the shareholder's loan from AMS. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.5 times (as at 31 December 2015: 1.3 times), reflecting the adequacy of financial resources.

As at 30 June 2016, the Group had total cash and cash equivalents of approximately HK\$35.8 million (as at 31 December 2015: approximately HK\$71.2 million), which included cash and cash equivalents in KRW of approximately KRW5,323 million and in US dollars ("US\$") of approximately US\$6,000.

As at 30 June 2016, the Group had variable rate bank borrowings of approximately US\$2 million, which was equivalent to approximately HK\$13.5 million (as at 31 December 2015: approximately HK\$11.9 million).

Foreign Exchange Exposure

The Group's exposures to currency risk mainly arise from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are denominated in US\$). In preparing the costing of our system integration project in which procurement of components in US\$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US\$ between the costing date and the relevant settlement date. In view of the relatively limited size of each individual US\$ denominated purchase transaction, we do not find it, on a cost and benefit analysis, justifiable to enter into foreign exchange hedging transaction for each of such purchases, and as a result, we decided the timing of purchasing US\$ to settle such purchases at our discretion.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Group's Assets

As at 30 June 2016, fixed deposits amounting to HK\$3.4 million were pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

Significant Investments

Save for the equity investments in KSFC and KCIC as set out in note 8 to the condensed consolidated interim financial statements in this report, the Group did not have any significant investments as at 30 June 2016.

Material Acquisitions and Disposals

Save for the corporate reorganisation for the purpose of Listing during the six months ended 30 June 2016, the Group did not have any material acquisition and disposal.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the Prospectus, as at 30 June 2016, the Group had no material capital commitments and no future plans for material investments or capital assets.

Contingent Liabilities

As at 30 June 2016 and 31 December 2015, the Group did not have any significant any material contingent liabilities.

BUSINESS REVIEW

Revenue comprised of revenue from integrated systems and maintenance service amounted to approximately HK\$223 million and HK\$210 million for the six months ended 30 June 2016 and 2015, respectively. Majority of the Group's revenue is derived from the provision of integrated system, which mainly integrates suitable hardware and software components, and configure them into a compatible system according to the requirements of our customers.

Set out below are the details of the movement of the number of system integration projects up to 30 June 2016.

Number of projects at 1 January 2016	36
Number of new projects awarded	327
Number of projects completed during period	(305)
Number of projects as at 30 June 2016	<u>58</u>

The segment profit of system integration decreased by approximately 8.6% from HK\$22 million for the six months ended 30 June 2015 to HK\$20 million for the six months ended 30 June 2016. Such decrease was due to the increase in staff cost. In addition, the segment profit of maintenance service increased by approximately 29.6% from HK\$11 million for the six months ended 30 June 2015 to HK\$14 million for the six months ended 30 June 2016. Such increase was in line with the increase in the revenue of maintenance service.

Prospects

Our corporate objective is to achieve sustainable growth in our business and financial performance so as to create long-term shareholders' value. In order to achieve the corporate objective, the Group implements the following corporate strategies:

- Expanding our market share by increasing service points
- Developing our overseas business by partnering with leading Korean IT companies in overseas projects
- Expanding our professional team and enhancing our service quality

Employees and Remuneration Policy

As at 30 June 2016, the Group had an aggregate of 183 (30 June 2015: 146) employees. The reason for such increase was due to the additional contracted employees for maintenance services.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total staff costs, including Directors' emoluments, amounted to approximately HK\$33.8 million for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$27.7 million). The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 30 June 2016, no share option had been granted.

Use of Proceeds from the Placing

On 8 July 2016, the Company was successfully listed on the GEM. As stated in the Prospectus, the Group intends to use the proceeds for (i) settle approximately half of the down payment to acquire an office building in Seoul as our new headquarter and an office area for storage; (ii) set up additional service points in major cities in Korea; (iii) set up an office in Hong Kong; and (iv) general working capital.

As at the date of this report, the Directors of the Company do not anticipate any change to the above intention. Up to the date of this report, the net proceeds have not yet been applied to the above purposes, and the unutilised net proceeds are placed with an authorised financial institution in Hong Kong.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital ^(Note 4)
Mr. Phung Nhuong Giang ^(Notes 1, 2 and 3) ("Mr. Phung")	Interest held jointly with other persons/ Interest in controlled corporation/ Interest of spouse	262,917,327	65.73%
Mr. Suh Seung Hyun ^(Notes 1 and 2) ("Mr. Suh")	Interest held jointly with other persons/ Interest in controlled corporation	262,917,327	65.73%
Mr. Lee Seung Han ^(Notes 1 and 2) ("Mr. Lee")	Interest held jointly with other persons/ Interest in controlled corporation	262,917,327	65.73%
Mr. Park Hyeoung Jin ^(Notes 1 and 2) ("Mr. Park")	Interest held jointly with other persons/ Interest in controlled corporation	262,917,327	65.73%

Note:

- (1) LiquidTech Limited ("LiquidTech") held 262,917,327 Shares, representing 65.73% of the issued Shares. LiquidTech is wholly owned by Asia Media Systems Pte. Ltd. ("AMS") which is owned by Mr. Phung, Mr. Suh, Mr. Lee, Mr. Park, Mr. Lee Sung Gue, Mr. Lee Je Eun and Ms. Marilyn Tang as to 26.14%, 25.34%, 14.71%, 14.03%, 14.03%, 3.40% and 2.35% respectively.
- (2) On 21 June 2016, four of the ultimate controlling shareholders of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (3) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Mr. Phung is deemed to be interested in all the Shares in which Ms. Marilyn Tang is interested under Part XV of the SFO.
- (4) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the date of this report (i.e. 400,000,000 Shares).

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or 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 required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at the date of this report, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

Long Positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital ^(Note 11)
LiquidTech ^(Note 1)	Beneficial owner	262,917,327	65.73%
AMS ^(Notes 1 and 2)	Interest in controlled corporation	262,917,327	65.73%
Ms. Marilyn Tang ^(Notes 2, 3 and 4)	Interest held jointly with other persons/ Interest in controlled corporation/ Interest of spouse	262,917,327	65.73%
Ms. Lee Kim Sinae ^(Note 5)	Interest of spouse	262,917,327	65.73%
Ms. Suh Kim Seong Ock ^(Note 6)	Interest of spouse	262,917,327	65.73%
Ms. Shin Hee Kum ^(Note 7)	Interest of spouse	262,917,327	65.73%
Epro Capital Inc. ^(Note 8) ("Epro Capital")	Beneficial owner	27,270,000	6.82%
Epro Group International Limited ^(Note 8) ("Epro Group")	Interest in controlled corporation	27,270,000	6.82%
Merry Silver Limited ^(Note 9)	Interest in controlled corporation	27,270,000	6.82%
Mr. Wong Wai Hon Telly ^(Note 10) ("Mr. Telly Wong")	Interest in controlled corporation	27,270,000	6.82%
Mr. Ling Chiu Yum ^(Note 10) ("Mr. Ling")	Interest in controlled corporation	27,270,000	6.82%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) LiquidTech is wholly-owned by AMS. AMS is deemed to be interested in all the Shares in which LiquidTech is interested under Part XV of the SFO.
- (2) AMS is owned as to approximately 26.14% by Mr. Phung, 25.34% by Mr. Suh, 14.71% by Mr. Lee, 14.03% by Mr. Park, 14.03% by Mr. Lee Sung Gue, 3.40% by Mr. Lee Je Eun and 2.35% by Ms. Marilyn Tang.
- (3) On 21 June 2016, four of the ultimate controlling shareholders of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (4) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Ms. Marilyn Tang is deemed to be interested in all the Shares in which Mr. Phung is interested under Part XV of the SFO.
- (5) Ms. Lee Kim Sinae is the spouse of Mr. Lee. Ms. Lee Kim Sinae is deemed to be interested in all the Shares in which Mr. Lee is interested under Part XV of the SFO.
- (6) Ms. Suh Kim Seong Ock is the spouse of Mr. Suh. Ms. Suh Kim Seong Ock is deemed to be interested in all the Shares in which Mr. Suh is interested under Part XV of the SFO.
- (7) Ms. Shin Hee Kum is the spouse of Mr. Park. Ms. Shin Hee Kum is deemed to be interested in all the Shares in which Mr. Park is interested under Part XV of the SFO.
- (8) Epro Capital is wholly-owned by Epro Group. Epro Group is deemed to be interested in the Shares in which Epro Capital is interested under Part XV of the SFO.
- (9) Epro Group is wholly-owned by Merry Silver Limited. Merry Silver Limited is deemed to be interested in the Shares in which Epro Group is interested under Part XV of the SFO.
- (10) Merry Silver Limited is owned as to 50% by Mr. Telly Wong and 50% by Mr. Ling. Each of Mr. Telly Wong and Mr. Ling is deemed to be interested in the Shares in which Merry Silver Limited is interested under Part XV of the SFO.
- (11) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the date of this report (i.e. 400,000,000 Shares).

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the written resolutions of the then sole shareholder of the Company passed on 21 June 2016. No share option has been granted under the Share Option Scheme since its adoption.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his compliance with the Required Standard of Dealing from the Listing Date to the date of this report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder value through solid corporate governance.

The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code") and in relation to, among others, our Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code since the Listing Date.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

The Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares from the Listing Date to date of this report.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this report, neither Shenwan Hongyuan Capital (H.K.) Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

Our Group established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The audit committee consists of three independent non-executive directors namely, Mr. Wong Sik Kei, Mr. Ho Kam Shing Peter, and Mr. Ngan Chi Keung a Director with the appropriate professional accounting qualifications, serves as the chairman of the audit committee. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The audit committee has reviewed the unaudited results for the six months ended 30 June 2016.

By order of the Board
Future Data Group Limited
Suh Seung Hyun
Chairman

Hong Kong, 11 August 2016