2016 ANNUAL REPORT

ARCHITECT OF FUTURE CITIES

FUTUREDATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

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This report, for which the directors (the "Directors") of Future Data Group Limited (the "Company", 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 GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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.

"ARCHITECT OF FUTURE CITIES"

Foundations of tomorrow's smart cities are being built today. Through integrated solutions of cloud computing, security and network connectivity, we connect people, creating data transport networks that push business and social development.

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Data is the Future

Data has replaced oil as the new gold standard. We are leading the industry vanguard ever higher to create innovative data strategies for businesses to analyse, gain insight, and profit from Big Data.

Human Capital

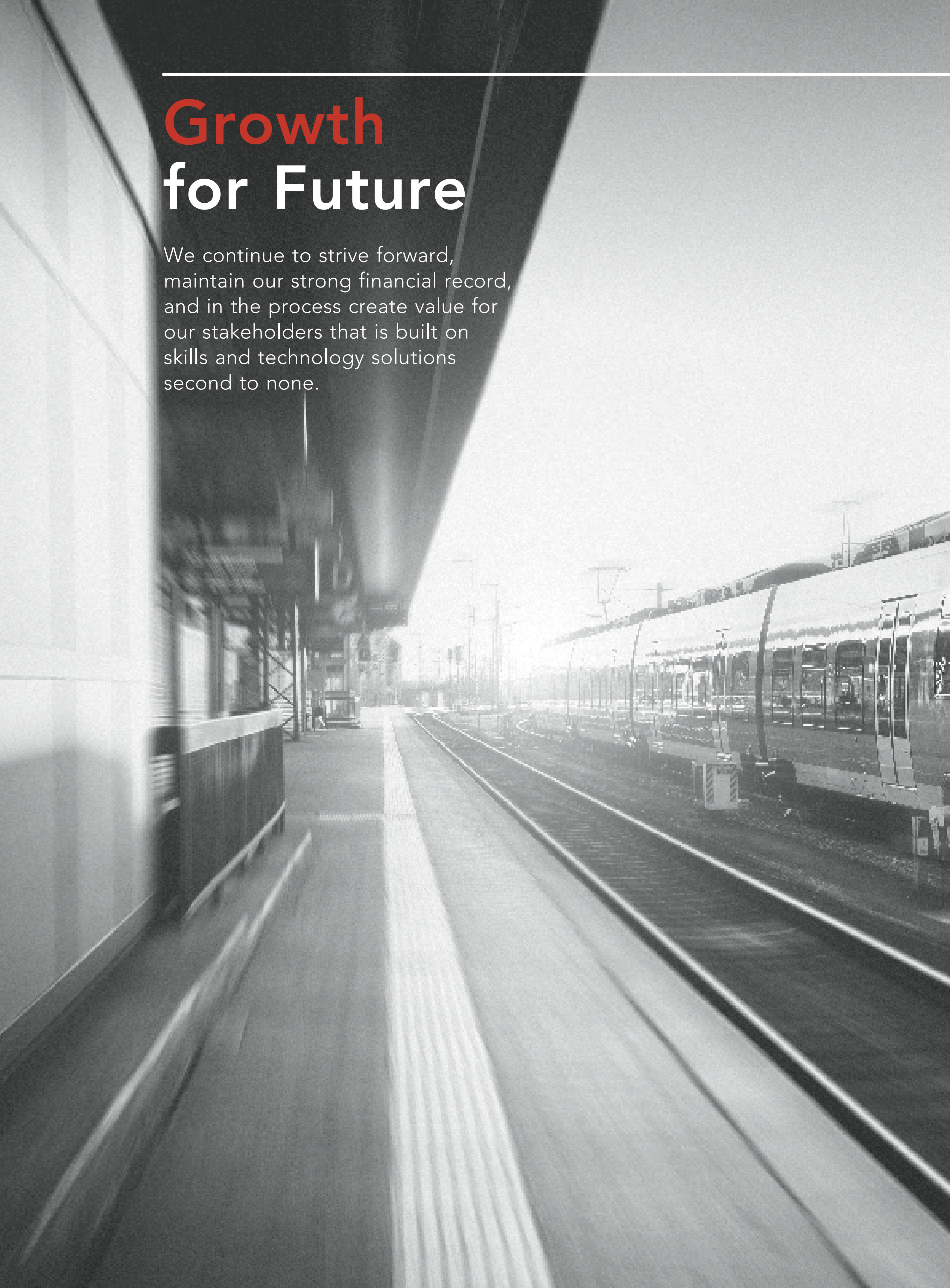
Our people connect experts worldwide, into a global networking. With extensive bank of readily accessible talents, we synergise resources and knowledge to solve urban problems.

Regional Expansion

Our strategic vision goes beyond a single country. We are ready to explore new opportunities through regional cooperation, as we move forward to grow our core business segments overseas.

Growth for Future

We continue to strive forward, maintain our strong financial record, and in the process create value for our stakeholders that is built on skills and technology solutions second to none.



BOARD OF DIRECTORS

Executive Directors

Mr. Suh Seung Hyun *(Chairman)*
Mr. Phung Nhuong Giang
(Deputy Chairman)
Mr. Lee Seung Han
(Chief Executive Officer)
Mr. Ryoo Seong Ryul
Mr. Park Hyeoung Jin

Independent Non-executive Directors

Mr. Ho Kam Shing, Peter
Mr. Sum Chun Ho
Mr. Wong Sik Kei

BOARD COMMITTEES

Audit Committee

Mr. Sum Chun Ho *(Chairman)*
Mr. Ho Kam Shing, Peter
Mr. Wong Sik Kei

Remuneration Committee

Mr. Wong Sik Kei *(Chairman)*
Mr. Phung Nhuong Giang
Mr. Ho Kam Shing, Peter

Nomination Committee

Mr. Ho Kam Shing, Peter *(Chairman)*
Mr. Phung Nhuong Giang
Mr. Wong Sik Kei

COMPLIANCE OFFICER

Mr. Lee Seung Han

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

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Gangnam-gu
Seoul
Korea

COMPANY SECRETARY

Ms. Ngai Kit Fong

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Ngai Kit Fong

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
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COMPLIANCE ADVISER

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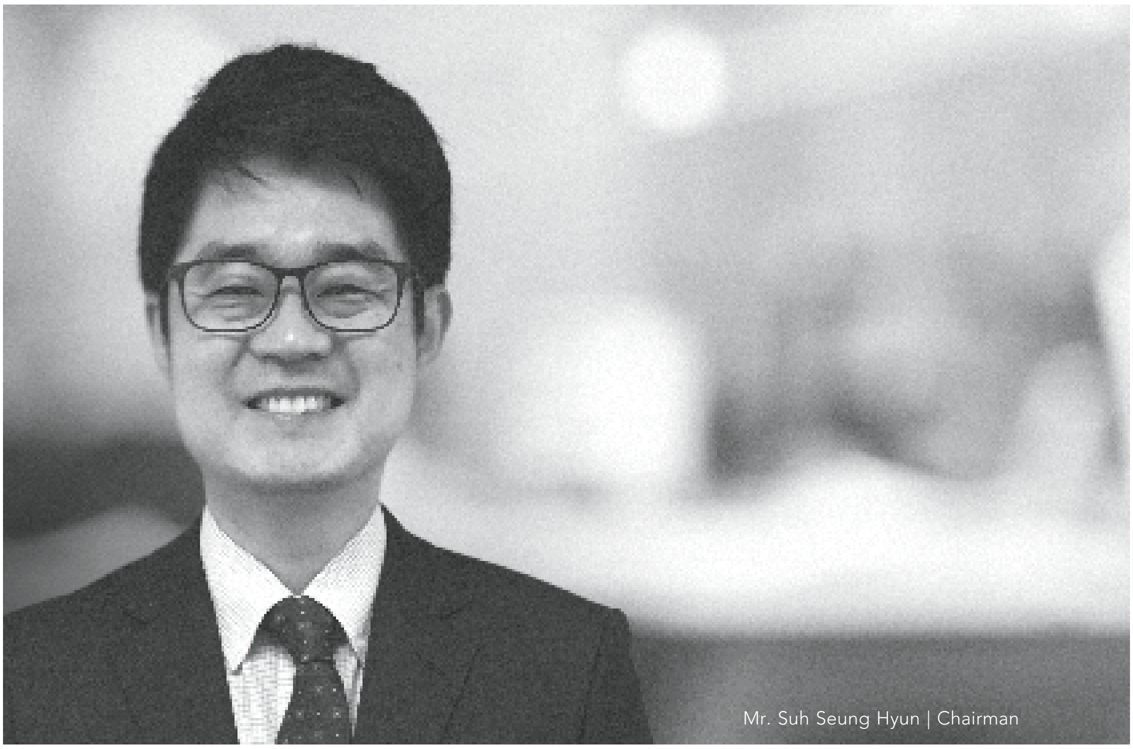
COMPANY WEBSITE ADDRESS

www.futuredatagroup.com

STOCK CODE

8229



Mr. Suh Seung Hyun | Chairman

Dear Shareholders,

On behalf of the board of directors, I am pleased to present our first annual report on the work and result for the year ended 31 December 2016. I will begin my statement to say that this financial year has been an extraordinary journey, as we experience the shares of the Company successfully listed on the GEM of The Stock Exchange of Hong Kong Limited ("Listing") on the 8th of July 2016 ("Listing Date"). This marks a baby step on our path to build a large corporation, and a milestone that has well engraved on our corporate history.

I wish to report that for the year ended 31 December 2016, our Group has recorded a total revenue of approximately HK$524.0 million. Although this represents a small increase of 1.6% as compared to approximately HK$515.7 million for the year ended 31 December 2015, we were happy that we can keep the sales momentum while going through heavy work load of the IPO exercise. As a result, our Group recorded a profit for the year of approximately HK$3.7 million and HK$8.1 million for the years ended 31 December 2016 and 31 December 2015, respectively. After taking out the effect of the one-off Listing expenses of approximately HK$10.4 million for the year ended 31 December 2016, the Group would have recorded profit after tax of approximately HK$14.1 million for the year ended 31 December 2016.

Contributions to the revenue of our financial year 2016 come from many Korean customers, but I would like to share a few key ones. For instance, our projects to date with Incheon Airport which is our largest customer contributed approximately HK$81 million to our recorded revenue for 2016. Other revenue contributors for the first half include Siheung, Bucheon and Jeju city government; and government agency in electric utility and defense.

In the second half, we announced three key projects that set the tone for our future technology direction.

INTERNET OF THINGS

The first one was Internet of Things ("IoT") project from Korea Electric Power Corporation ("KEPCO"), Korea's largest electric utility provider by market capitalization and Korean Internet & Security Agency ("KISA"), the nation's government agency responsible to promote Internet and Security.

KEPCO awarded us a contract to build a laboratory model for their IoT platform, which uses big data analytics to help prevent accidents caused by usage of electricity as the first IoT application, and enable intuitive monitoring by visualization of dashboard and charts. Leveraging our expertise and unique product offerings, the Group is well-poised to seize the opportunities arising from this growing market.

The Group has successfully completed contract to deliver IoT Security Test Bed for KISA to support security testing on IoT products and services. Businesses and individuals will now be able to check security vulnerabilities of their products and services through this Test Bed to ensure that the products and services are safe and secure, when they are connected to KISA's IoT environment.

As a result of the above activities, the Company has set up a task force to penetrate the deeper into the sector, set-up an office in Naju to place our engineers nearer to KEPCO new headquarters, and provides ongoing operations and technical support to KISA for the consigned operation of the Test Bed. We have also begun software product development of a suitable IoT big data platform for commercial deployment based on performance requirements from KEPCO and KISA.

CLOUD

Seoul Metropolitan Government ("SMG") has selected a consortium including the Company subsidiary, Global Telecom Co., Ltd. ("Global Telecom"), to construct one of South Korea's most powerful cloud data centers. The new cloud data center will provide cloud services to the nation's capital city. The project will replace outdated network and computing equipment with new ones, and integrate the computer network of five offices under SMG, namely Jongro-gu office, history museum, waterworks department, Dadan call center, and Seoul city back-up center. I am delighted that we out-bid and out-perform other heavy weight peers with the win-win model, and this places our Group in a strong position to win more cloud projects which is one of the four hot sectors in Korea.

NETWORK PARTITIONING

Korea Environment Corporation ("KEC") has recently selected us as a major subcontractor for the KEC Computer Network Partitioning Project Phase 2. This was on the heel of the previous win of the KEC Computer Network Partitioning Project Phase 1 project. I am positive that our success with this cloud contract places us in an advantageous position to capture the rapid growth of the network partitioning industry in Korea, which would generate positive shareholders value.

FUTURE PROSPECTS

After the Listing, the Group is in a stronger financial and liquidity position. The Group is continuing its focus on its core business and utilising its available resources to engage in its current business.

In 2016, our Group derived all the revenue and profit from Korea market. Given the risks associated with the political turmoil of the presidential scandal in Korea, which could have an adverse impact on the local economy, the Group shall strive to explore potential opportunities to develop its core businesses in and outside Korea, and if appropriate, explore selective acquisition and partnership in order to strengthen its revenue base and maximise both the return to the shareholders and the value of the Group.

In corporate governance, we shall continue to conduct our business in a proper manner in strict compliance with the laws and regulations in relevant jurisdictions. In the course of interaction with stakeholders, the Company will endeavor to strike a balance in safeguarding the interests of stakeholders to ensure sustainable and healthy development for the Group.

Last but not least, on behalf of the Board, I would like to express my gratitude to all shareholders, customers, bankers, management team and staff members for their continuous support and contribution to the Group during the year. We look forward to enhance shareholder value and a profitable year 2017.

Suh Seung Hyun
Chairman

20 March 2017

FINANCIAL REVIEW

Profit and Loss

Revenue

For the year ended 31 December 2016, the Group recorded revenue of HK$524.0 million, all of which was contributed from our Korea's operating subsidiary, Global Telecom. Revenue comprised of revenue from integrated systems and maintenance service. The Group's revenue increased by HK$8.3 million, or 1.6%, from approximately HK$515.7 million for the year 2015 to approximately HK$524.0 million for the year 2016. The increase was primarily attributable to the increases in revenue from maintenance service from HK$76.0 million in 2015 to that of HK$95.7 million in 2016.

Gross profit and gross profit margin

The Group's gross profit increased by 13.7%, from HK$73.1 million for the year ended 31 December 2015 to HK$83.1 million for the year ended 31 December 2016. The Group's gross profit margin slightly increased from 14.2% for the year ended 31 December 2015 to 15.9% for the year ended 31 December 2016. Such increase was mainly due to change in revenue mix with a higher proportion of revenue from maintenance service in 2016.

Listing expenses

The Group recorded Listing expenses of HK$10.4 million for the year ended 31 December 2016. Total Listing expenses were HK$24.7 million, of which approximately HK$7.8 million was available for offsetting against the Company's share premium account.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2016 was HK$66.1 million, (31 December 2015: HK$56.8 million) representing an increase of HK$9.3 million or 16.4% mainly due to increase in employee costs, professional fees and provision for impairment of trade receivables, loans to employees and prepayments.

Profit for the year

The profit for the year decreased by 54.3% from HK$8.1 million for the year ended 31 December 2015 to HK$3.7 million for the year ended 31 December 2016. Such decrease was primarily due to the increase of Listing expenses from HK$6.5 million in 2015 to that of HK$10.4 million in 2016.

Balance Sheet

Non-current assets

In 2016, the Group have made efforts to maintain staff headcounts at the same level as in 2015 (31 December 2016: 156 versus 31 December 2015: 155) while trying to increase revenue and profitability. Therefore, we did not have to make new purchases of equipment for our staff and as a result, we have managed to trim down our non-current assets. As at 31 December 2016, the Group recorded non-current assets of HK$21.4 million representing a decrease of approximately HK$4.6 million relative to that as at 31 December 2015 of HK$26.0 million. This is mainly due to a depreciation amount of non-current assets of HK$4.1 million, while we have made no significant purchase of new equipment during the year.

Current assets

As at 31 December 2016, the Group recorded HK$214.0 million in current assets which is HK$17.9 million higher than that as at 31 December 2015. This is a combination increase in the amounts due from contract customers of HK$19.0 million from HK$8.7 million last year to HK$27.7 million this year, increase in cash and cash equivalents of HK$6.8 million to approximately HK$78.0 million as at 31 December 2016, but offset by a decrease in trade and other receivables of approximately HK$11.1 million to HK$86.3 million at the end of 2016.

This year, the amounts due from contract customers went up because of late billing due to more customer inspection work at one of our key projects, Incheon Airport terminal 3, which is the largest contract to date. As at 31 December 2016, we noted a decrease in trade and other receivables because the Group made good efforts to increase maintenance service contracts where collection cycle is relatively shorter than system integration contracts.

Current liabilities

The Group's current liabilities has dropped by HK$47.2 million to HK$109.5 million as at 31 December 2016. This year, one of our key partners Paolo Alto has decreased their credit term to us by 30 days from the previous term of 120 days to now 90 days. As a result, we have paid our partner faster than last year and therefore the amount of trade and other payables has gone down by HK$43.0 million to HK$90.5 million, but offset by an increase in bank borrowings of HK$4.4 million to HK$16.3 million as at 31 December 2016.

As a result of higher current assets and lower current liabilities, the Group recorded HK$104.6 million in net current assets as at 31 December 2016, which is HK$65.1 million increase from that of HK$39.5 million at the end of last year.

Non-current liabilities

The Group has no significant non-current liabilities.

As such, the Group's net assets stood at HK$125.4 million as at 31 December 2016, which is HK$61.1 million higher than that as at 31 December 2015.

Cash Flows

Cash flows from operating activities

We generated cash inflows before movements in working capital and tax provision of HK$13.6 million in 2016 which is slightly lower than that of HK$16.9 million in 2015. This is due to our continuing operating profitability but at a lower amount due to one-off Listing expenses explained earlier in the Profit and Loss section.

However, due to the increase in amounts due from contract customers of HK$20.0 million and decrease in trade and other payables amount of HK$36.9 million explained in the Balance Sheet section, the Group generates cash outflows of HK$34.7 million from the operations. After adjusting for tax paid and interest received, we generated cash outflows of HK38.4 million from operating activities in 2016.

Cash flows from investing activities

The Group recorded net cash outflows of HK$4.6 million, from investing activities for 2016. This is a result of a combination of an increase in pledged bank deposit, fixed bank deposit, offset by net disposal of available-for-sale financial assets.

Cash flows from financing activities

In 2016, the Group generate net cash inflows of HK$50.4 million through a contribution of HK$50.2 million in net proceeds from issuance of new shares through the Initial Public Offerings on 8th July 2016, HK$40.2 million of bank borrowings offset by HK$38.0 million of repayment of bank borrowings.

As a result of net increase in cash and cash equivalents of HK$7.3 million, the Group's cash and bank balances stood at approximately HK$78.0 million by the end of 2016.

BUSINESS REVIEW

The Group is an IT services provider based in Korea, with a focus on provision of integrated systems and maintenance service. Revenue comprised of revenue from integrated systems and maintenance service amounted to HK$524.0 million and HK$515.7 million for the years ended 31 December 2016 and 2015 respectively.

Integrated systems service

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. The revenue from system integration service slightly decreased by 2.6% from HK$439.7 million for the year ended 31 December 2015 to that of HK$428.3 million for the year ended 31 December 2016. The segment profit of system integration increased by approximately 3.6% from HK$46.9 million for the year ended 31 December 2015 to HK$48.6 million for the year ended 31 December 2016. Such increase was due to higher margin for large-scale system integration projects.

Set out below are the details of the movement of the number of system integration projects up to 31 December 2016.

Number of projects as at 1 January 2016	36
Number of new projects awarded during the year	568
Number of projects completed during the year	(572)
Number of projects as at 31 December 2016	32

Maintenance Service

The Group also provides maintenance service to customers to ensure that their systems are running properly, and, in the event of system failures, to identify the fault and repair the relevant part of their systems to minimise disruption to our customers' operations. The revenue from maintenance service increased by 26.0% from HK$76.0 million for the year ended 31 December 2015 to HK$95.7 million for the year ended 31 December 2016. Such increase was primarily due to revenue generated from three large-scale maintenance service projects in 2016. The segment profit of maintenance service increased by 32.0% from HK$26.2 million for the year ended 31 December 2015 to HK$34.5 million for the year ended 31 December 2016. Such percentage increase was almost in line with the percentage increase in the revenue of maintenance service.

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 31 December 2016, total equity of the Group amounted to HK$125.4 million, and the current assets amounted to HK$214.0 million. The total debt of the Group amounted to approximately HK$16.3 million, and its current liabilities amounted to HK$109.5 million.

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 31 December 2016, the gearing ratio was 13.0% (2015: 28.5%). The decrease in gearing ratio was mainly due to the capitalisation of the amount due to ultimate holding company and the increase in reserves. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 2.0 times (2015: 1.3 times), reflecting the adequacy of financial resources.

As at 31 December 2016, the Group had total cash and cash equivalents of HK$78.0 million (as at 31 December 2015: approximately HK$71.2 million), which included cash and cash equivalents in KRW of KRW6,648.2 million, in US dollars ("US$") of US$0.2 million, and in HK$33.0 million.

As at 31 December 2016, the Group had variable rate bank borrowings of approximately US$2.1 million, which was equivalent to approximately HK$16.3 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$). In preparing the costing of our system integration project for which procurement of components in US$ 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.

CHARGES ON GROUP'S ASSETS

As at 31 December 2016, a fixed deposit amounting to HK$3.2 million was pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Business objectives and future plans" in the prospectus of the Company dated 29 June 2016 ("Prospectus"), the Group did not have other concrete plans for material investment or capital assets as at 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

Save for the Reorganisation, during the year ended 31 December 2016, the Group did not have any material acquisition and disposal.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group did not have any significant capital commitments.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of the Group's available-for-sale financial assets as at 31 December 2016 and 31 December 2015 are as follows:

Description	Carrying amount as at 31 December 2015	Carrying amount as at 31 December 2016	Percentage to the Group's audited total assets as at 31 December 2016
	HK$'000	*HK$'000*	
Significant investments			
Unlisted equity securities			
– Korea Software Financial Cooperative ("KSFC")	1,979	2,545	1.08%
– Korea Broadcasting & Communication Financial Cooperative ("KBCFC")	29	29	0.01%
	2,008	2,574	1.09%
Other investments			
Investment in insurance policies	3,906	1,455	0.62%
Total	5,914	4,029	1.71%

As at 31 December 2016, the majority of our Group's available-for-sale financial assets was the investment in KSFC. KSFC was established pursuant to the Software Industry Promotion Act with the purpose of promoting the development of the IT industry in Korea. Depending on the amount of investment in KSFC, a member of KSFC is granted a certain amount of guarantee limit by KSFC for use in its operation. Details of the guarantees provided by KSFC to our Group are set out in note 17 to the consolidated financial statements.

Changes in the carrying value of the unlisted equity securities represent a fair value gain in the investment in KSFC of HK$0.5 million. The Directors expect such investment will continue in the future as the Directors believe the guarantees provided by KSFC are beneficial for our business development. Save for the investments in unlisted equity securities above, the Group did not have any significant investments as at 31 December 2016.

The decrease of carrying value of our investment in insurance policies from approximately HK$3.9 million to HK$1.5 million as at 31 December 2015 and 31 December 2016 respectively was due to the surrender of matured insurance policies to the insurance companies for cash in the second half of 2016. The Group currently has no plan to further invest in such kind of insurance policies in the foreseeable future.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had an aggregate of 156 (31 December 2015: 155) employees. 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$69.0 million for the year ended 31 December 2016 (31 December 2015: approximately HK$61.4 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 31 December 2016, no share option had been granted.

EXECUTIVE DIRECTORS

Mr. Suh Seung Hyun (徐承鉉), aged 47, is the co-founder of our Group, our executive Director and the chairman of our Board. Mr. Suh is also a director of Global Telecom, a wholly-owned subsidiary of the Company. Mr. Suh is mainly responsible for the overall management with focus on the operation of our business. In particular, Mr. Suh is responsible for overseeing the financial well-being of our business, monitoring our business units in achieving internal sales target and market share target, as well as supervising the provision of our services to customers.

Mr. Suh obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Suh has over 20 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Suh started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Phung Nhuong Giang (馮潤江), aged 54, is an executive Director and the deputy chairman of our Board. Mr. Phung is also a director of Global Telecom and a director of Asia Media Systems Pte. Ltd. ("AMS"), controlling shareholder of the Company. Mr. Phung first joined our Group when he was appointed as a director of Global Telecom in December 2006 after completion of the acquisition of Global Telecom by AMS. Mr. Phung resigned from the directorship in Global Telecom in May 2008 to pursue his other business engagement, but remained as one of the ultimate beneficial owners of Global Telecom. Mr. Phung then rejoined Global Telecom in March 2014 as a director. Mr. Phung is mainly responsible for strategy planning, investor relations and public relations of our Group.

Mr. Phung obtained a bachelor's degree with first class honour in Electrical Engineering from the University of Western Australia in Australia in April 1987 and a Master of Business Administration from the University of Louisville in the United States in December 1999.

Mr. Phung has over 28 years of experience in the information and communications technology industry. Mr. Phung worked as a network specialist in Telstra Corporation Limited, an Australian telecommunications and media company, in 1987; as account manager in QPSX Communications Ltd, an Australian company, in 1988 and as a chief technologist in Dimension Data Asia Pacific Ltd. (formerly known as Datacraft Asia Ltd.), a company principally engaged in the provision and management of specialist IT infrastructure solutions, from 1993 to 2001. Mr. Phung joined DMX Technologies Group Limited in April 2001, a company incorporated in Bermuda and is now a subsidiary of KDDI Corporation, a Japanese company principally engaged in telecommunication businesses. He served as the executive director and chief executive officer of DMX Technologies Group Limited and later resigned from the directorship and chief executive office in DMX Technologies Group Limited in 2006. Mr. Phung has been a director of AMS since its establishment in 2006, and had devoted more time to build and oversee the management team of the system integration business of AMS in China from 2008 onwards until the China business was sold to the local management team in 2015. Mr. Phung also provided consultancy services to a venture capital firm in Vietnam for identifying potential IT companies as acquisition targets in 2009 and 2010. From June 2010 to June 2013, Mr. Phung was an independent non-executive director of PCI-Suntek Technology Co. Ltd. (600728.SS), a company incorporated in China, whose shares are listed on the Shanghai Stock Exchange. Mr. Phung was an independent non-executive director from December 2011 to February 2013 and an executive director from February 2013 to March 2015 of ETS Group Limited (Stock code: 8031), the issued shares of which are listed on GEM.

Mr. Lee Seung Han (李承翰), aged 46, is the co-founder of our Group, an executive Director and the chief executive officer of our Group. Mr. Lee is also a director of Global Telecom. Mr. Lee is mainly responsible for the overall management with focus on business development of our Group. In particular, Mr. Lee is responsible for the formulation of corporate strategy and the supervision and management of the business development of our Group.

Mr. Lee obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Lee has over 20 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Lee started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Ryoo Seong Ryul (柳晟烈), aged 43, is an executive Director and the chief financial officer of our Group. Mr. Ryoo is also the general manager of finance department of Global Telecom. Mr. Ryoo is mainly responsible for the financial planning, budgeting and control and administration matters of the Group.

Mr. Ryoo obtained a bachelor's degree in business administration from Korea Aerospace University in Korea in February 1996.

Mr. Ryoo has over 15 years of experience in finance and human resource. Mr. Ryoo started his career in the trading department in Yoolim Fishingnet Co., Ltd. from May 1998 to April 2000, with last position being an assistant manager. In June 2000, Mr. Ryoo was appointed as the account and finance manager in KG INICIS Co., Ltd. (Stock code: 035600), a company principally engaged in the provision of payment gateway service and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in November 2004. In November 2004, Mr. Ryoo was appointed as the general management team manager in Plantynet Co., Ltd. (Stock code: 075130), a company principally engaged in the provision of internet security software and services and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in June 2005. Mr. Ryoo joined our Group in July 2005 as the general manager of Finance department of Global Telecom.

Mr. Park Hyeoung Jin (**朴炯進**), aged 47, is the co-founder of our Group and our executive Director. Mr. Park is also a director and the chief technical officer of Global Telecom. Mr. Park is mainly responsible for technological development and overall management of technical support teams of Global Telecom.

Mr. Park obtained a bachelor's degree in computer science from The University of Suwon in Korea, in February 1996.

Mr. Park has over 19 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Park started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei (**王錫基**), aged 69, was appointed as our independent non-executive Director on 21 June 2016 and is the chairman of our remuneration committee.

Mr. Wong obtained a bachelor's degree in engineering from The University of Hong Kong, in October 1971. Mr. Wong also obtained a Master of Philosophy in October 1977 and a Master of Social Sciences in November 1980 from The University of Hong Kong. Mr. Wong joined the Hong Kong government as an assistant telecommunications engineer of the Post Office of Hong Kong in September 1974. Mr. Wong was subsequently promoted to telecommunications engineer in September 1978, senior telecommunications engineer in July 1980, chief telecommunications engineer in June 1984 and assistant postmaster general in July 1988. In March 1994, Mr. Wong was appointed as a senior assistant director of telecommunications in the Office of the Telecommunications Authority of Hong Kong. Mr. Wong served as the director general of the Office of Telecommunications Authority ("OFTA") from April 1997 to August 2003. In August 2003, Mr. Wong joined the Innovation and Technology Department of the Hong Kong government in capacity of Commissioner. Mr. Wong officially retired from the Hong Kong government in November 2007. Mr. Wong has been an independent non-executive director of ETS Group Limited (Stock code: 8031), the issued shares of which are listed on GEM, since December 2011.

Mr. Ho Kam Shing, Peter (何金城), aged 70, was appointed as our independent non-executive Director on 21 June 2016 and is the chairman of our nomination committee.

Mr. Ho has over 21 years of experience in the IT industry. Mr. Ho acted as the regional general manager of Hong Kong and Taiwan from 1996 and 1999 in Datacraft Asia Ltd. (now known as Dimension Data Asia Pacific Ltd.), a company principally engaged in the provision and management of specialist IT infrastructure solutions. Mr. Ho joined DMX Technologies (Hong Kong) Limited (formerly known as Skynet Consultants Company Limited), a company principally engaged in the business of re-selling computer anti-virus software and network integration business, as a director from March 2000 to April 2002 and acted as a director of Utimaco Safeware Asia Limited (now known as Sophos Hong Kong Company Limited), a company principally engaged in the data security business, from December 1999 to May 2009. Mr. Ho obtained a diploma of marketing and sales management from the University of British Columbia in Canada in 1993.

Mr. Sum Chun Ho (沈振豪), aged 45, was appointed as our independent non-executive Director on 2 November 2016 and is the chairman of our audit committee. Mr. Sum has over 20 years of experience in the field of professional accounting services. Mr. Sum obtained a master's degree in accounting from Monash University, and is a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Sum is currently the sole proprietor of C. H. Sum & Co., a firm of certified public accountants, and a partner of Martin C. K. Pong & Company, a firm of certified public accountants.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

As of the date of this annual report, each of our Directors confirms that save for the information shown on the Section "Corporate Information" of this annual report and save as disclosed above: (i) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in the Report of the Directors of this annual report, he does not have any interests in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); (iv) there is no other information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the shareholders of the Company.

SENIOR MANAGEMENT

Mr. Ko Jae Seok (高在錫), aged 44, is the head of public sector division of Global Telecom. Mr. Ko is responsible for leading the sales team for public sector customers of Global Telecom.

Mr. Ko obtained a bachelor's degree in economics from The University of Suwon in Korea in February 1996.

Mr. Ko has more than 17 years of experience in the information and communications technology industry. Mr. Ko started his career in New C&C Co., Ltd., a company principally engaged in provision of integrated information and communication systems in Korea, in April 1999 and left in March 2003. Mr. Ko joined Global Telecom in April 2003 as the head of public sector division.

Mr. Kim Do Hyung (金度亨), aged 39, is the head of private sector division II of Global Telecom since December 2003. Mr. Kim is responsible for leading the system integration sales team. Mr. Kim has over 13 years of experience in the IT and broadcasting industry. Mr. Kim graduated from Inchang High School in Korea in February 1996.

Mr. Lee Jun Su (李俊洙), aged 44, is the head of security technical support team. Mr. Lee Jun Su is responsible for leading the security technical support team of Global Telecom.

Mr. Lee Jun Su obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1998.

Mr. Lee Jun Su joined our Group as a network engineer of Global Telecom in September 1997 and has accumulated more than 18 years of experience in the information and communications technology industry.

COMPANY SECRETARY

Ms. Ngai Kit Fong (倪潔芳) is the company secretary of our Company. Ms. Ngai is a director of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. The Company has engaged Tricor as external service provider and appointed Ms. Ngai as the company secretary of the Company since 21 June 2016.

Ms. Ngai has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ngai is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ngai is a holder of the Practitioner's Endorsement from HKICS.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance the corporate value, accountability and transparency of the Company.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. From 8 July 2016 (the "Listing Date") to 31 December 2016 and throughout the period to the date of this annual report (the "Reporting Period"), the Company has complied with the applicable code provisions as set out in the CG Code which is adopted as its own code to govern its corporate governance practices. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted its securities dealing code ("Securities Dealing Code") which is no less exacting than 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 Securities Dealing Code throughout the Reporting Period.

The Company has also adopted the Securities Dealing Code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities. No incidence of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises eight members, consisting of five executive Directors and three independent non-executive Directors.

Executive Directors:
Mr. Suh Seung Hyun *(Chairman)*
Mr. Phung Nhuong Giang
(Deputy Chairman, member of the Remuneration Committee and Nomination Committee)
Mr. Lee Seung Han *(Chief Executive Officer)*
Mr. Ryoo Seong Ryul *(Chief Financial Officer)*
Mr. Park Hyeoung Jin

Independent non-executive Directors:
Mr. Wong Sik Kei
(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)
Mr. Ho Kam Shing, Peter
(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)
Mr. Sum Chun Ho *(Chairman of the Audit Committee)*

The biographical information of the Directors are set out on pages 22 to 26 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The position of Chairman is held by Mr. Suh Seung Hyun and he provides leadership and is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. Mr. Phung Nhuong Giang is the Deputy Chairman and is mainly responsible for strategy planning, investor relations and public relations of our Group. The position of Chief Executive Officer is held by Mr. Lee Seung Han and he is responsible for the Company's business development and daily management and operations generally.

Independent Non-executive Directors

From the Listing Date up to 31 December 2016, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise, except for the period from 15 October 2016 to 1 November 2016 due to the passing away of Mr. Ngan Chi Keung. On 2 November 2016, Mr. Sum Chun Ho was appointed as an independent non-executive Director and since then the Company has complied with these requirements.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with an initial term of three years commencing from the Listing Date or if later, from the date of appointment, subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Each of the Directors is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the articles of association of the Company ("Articles"). The term of offices of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

The Directors have participated in the following trainings during the year ended 31 December 2016:

Types of training	
Executive Directors	
Mr. Suh Seung Hyun	A
Mr. Phung Nhuong Giang	A
Mr. Lee Seung Han	A
Mr. Ryoo Seong Ryul	A
Mr. Park Hyeoung Jin	A
Independent non-executive Directors	
Mr. Ngan Chi Keung	A
Mr. Wong Sik Kei	A
Mr. Ho Kam Shing, Peter	A
Mr. Sum Chun Ho	A, B

A Attending in-house briefing organized and trainings coordinated by the Company

B Attending seminars and trainings

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 10 of this annual report.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises a majority of independent non-executive Directors and its composition for the period from the Listing Date to 31 December 2016 are as follows:

Name of Members	For the period from 8 July 2016 to 15 October 2016	For the period from 16 October 2016 to 1 November 2016	For the period from 2 November 2016 to 31 December 2016
Mr. Ngan Chi Keung *(Ceased on 15 October 2016)*	Chairman	—	—
Mr. Sum Chun Ho *(Appointed on 2 November 2016)*	—	—	Chairman
Mr. Wong Sik Kei	Member	Member	Member
Mr. Ho Kam Shing, Peter	Member	Member	Member

During the year ended 31 December 2016, the Audit Committee held two meetings, with all members present in person or through telephonic conferencing, to assess the independence of the Company's auditor, review the risk management and internal control systems, the Group's interim financial results and report for the six months ended 30 June 2016 and the Group's quarterly financial results and report for the nine months ended 30 September 2016 before submission to the Board for approval.

The Audit Committee shall meet the external auditors twice a year without the presence of the executive Directors.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters including a review of the audited consolidated financial statements of the Group for the years ended 31 December 2016 and the independent auditor's report thereon.

The Audit Committee has also reviewed the compliance with the Deed of Non-competition given by the controlling Shareholders as defined and stated in the prospectus of the Company dated 29 June 2016. The Company has obtained an annual written confirmation from the Company's controlling Shareholders in respect of their compliance with the terms of the Deed of Non-competition.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include determining, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee comprises one executive Director, Mr. Phung Nhuong Giang and two independent non-executive Directors, Mr. Wong Sik Kei and Mr. Ho Kam Shing, Peter. Mr. Wong Sik Kei has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

During the year ended 31 December 2016, the Remuneration Committee reviewed the remuneration package of Mr. Sum Chun Ho, the newly appointed independent non-executive Director and make recommendation to the Board for approval. A meeting of the Remuneration Committee was held on 20 March 2017 to review the remuneration packages of Directors and senior management as well as the Company's policy and structure for the remuneration of Directors and senior management.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size, composition and diversity, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, Mr. Phung Nhuong Giang, and two independent non-executive Directors, Mr. Ho Kam Shing, Peter and Mr. Wong Sik Kei. Mr. Ho Kam Shing, Peter has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

During the year ended 31 December 2016, the Nomination Committee reviewed the biographical information of Mr. Sum Chun Ho, the newly appointed independent non-executive Director and assessed his independence and make recommendation to the Board for approval. A meeting of the Nomination Committee was held on 20 March 2017 to review the structure, size and composition of the Board, the Board diversity policy and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings by directors of securities transactions and the Company's Securities Dealing Code, as well as the Company's compliance with the CG Code and disclosure in this corporate governance report.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

The remuneration bands of the members of senior management of the Company for the year ended 31 December 2016 are as follows:

Remuneration bands	Number of Individuals
HK$ Nil to HK$1,000,000	4

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the period from the Listing Date to 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Suh Seung Hyun	2/2	N/A	N/A	N/A	0/0
Mr. Phung Nhuong Giang	2/2	N/A	0/0	0/0	0/0
Mr. Lee Seung Han	2/2	N/A	N/A	N/A	0/0
Mr. Ryoo Seong Ryul	2/2	N/A	N/A	N/A	0/0
Mr. Park Hyeoung Jin	2/2	N/A	N/A	N/A	0/0
Independent Non-Executive Directors					
Mr. Ngan Chi Keung (Note 1)	1/1	1/1	0/0	0/0	0/0
Mr. Wong Sik Kei	2/2	2/2	0/0	0/0	0/0
Mr. Ho Kam Shing, Peter	2/2	2/2	0/0	0/0	0/0
Mr. Sum Chun Ho (Note 2)	1/1	1/1	N/A	N/A	0/0

Note 1: Mr. Ngan Chi Keung ceased to act as Director on 15 October 2016. The attendance record mentioned in this table shows the applicable number of meetings held and attended by this Director during the mentioned period.

Note 2: Mr. Sum Chun Ho was appointed as an independent non-executive Director on 2 November 2016. The attendance record mentioned in this table shows the applicable number of meetings held and attended by this Director during the mentioned period.

Two regular board meetings were held during the period from the Listing Date to 31 December 2016.

On 20 March 2017, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of the executive Directors.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identifying, analyzing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operation or prevent it from achieving its business objectives.

The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, inter alia, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses. The risk management process of our Group will involve, inter alia, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

Our independent internal control consultant has performed an assessment on our internal control systems including reviewing guidelines and policies which are implemented through our operational process. An internal audit function is set up to examine key issues in relation to the financial and operational matters/practices and to provide its findings and any recommendations for improvement to the Audit Committee.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorized access and use of information are strictly prohibited.

From the Listing Date to 31 December 2016, the Board, as supported by the Audit Committee, our compliance officer and internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The report of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 73.

AUDITOR'S REMUNERATION

BDO Limited are appointed as the external auditor of the Company.

For the year ended 31 December 2016, apart from the provisions of annual audit services, BDO Limited was also the reporting accountant of the Company in relation to the Listing. During the year ended 31 December 2016, the total fees paid/payable in respect of audit services and non-audit services provided by BDO Limited are set out below:

Services rendered to the Company	Fees paid and payable HK$
Audit services:	
2016 annual audit	850,000
Non-audit services:	
Acting as reporting accountant in relation to the Listing	1,030,000
	1,880,000

COMPANY SECRETARY

Ms. Ngai Kit Fong of Tricor, external service provider, has been engaged by the Company as the company secretary. Her primary contact person at the Company is Mr. Phung Nhuong Giang, Deputy Chairman of the Company. Ms. Ngai has confirmed that for the year ended 31 December 2016, she has taken no less than 15 hours of relevant professional training.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings of the Company will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the website of the Company and of the Stock Exchange after each Shareholders' meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 1002, 10/F, Tung Wai Commercial Building, No. 109-111 Gloucester Road, Wan Chai, Hong Kong, for the attention of the Chairman of the Board.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address:	Room 1002, 10/F, Tung Wai Commercial Building, No. 109-111 Gloucester Road, Wan Chai, Hong Kong (For the attention of the Board of Directors)
Email:	enquiry@futuredatagroup.com
Fax:	(852) 2907 0003

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of the Stock Exchange since 8 July 2016.

In preparation of the listing of the Company's shares on GEM (the "Listing"), the Group underwent a corporate reorganisation ("Reorganisation") to rationalise its group structure. Prior to the Reorganisation, the Company's principal operating subsidiary, Global Telecom, was wholly-owned by a corporate shareholder, 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 dated 29 June 2016, 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 ("SuperChips"). Upon completion of the Reorganisation, the Company has become a subsidiary of LiquidTech Limited ("LiquidTech") 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 and has not resulted in any change of economic substance with continuous common control by the controlling shareholders of AMS. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of (i) integration of systems with network connectivity, cloud computing and security elements and (ii) maintenance service in Korea.

REVENUE AND SEGMENT INFORMATION

The revenue and segment information of the Group for the year are set forth in the consolidated financial statements on pages 106 to 108 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year and the financial position of the Company and the Group as at 31 December 2016 are set forth in the consolidated financial statements on pages 74 to 147 of this annual report.

The Directors have declared final dividend for the year ended 31 December 2016 of HK cents 1.15 per ordinary share to Shareholders whose names appear on the Register of Members of the Company on Thursday, 18 May 2017 (2015: Nil).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2016, a discussion on the Group's business development and an analysis of the Group's performance using financial key performance indicators are provided in the "Management Discussion and Analysis" on pages 15 to 21. In addition, discussions on the principal risks and uncertainties facing the Group, the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, particulars of important events affecting the Group since the financial year ended 31 December 2016 and key relationships with its stakeholders are contained in this "Report of the Directors".

PRINCIPAL RISK AND UNCERTAINTIES

Our Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to our Group's business. The following are the key risks and uncertainties identified by our Group.

Our integrated systems are provided on a project basis. Such projects are not recurring in nature and our future business depends on our continuing success in securing contracts

For the year ended 31 December 2016, approximately HK$428.3 million (2015: HK$439.7 million) of our revenue was generated from our system integration projects, representing approximately 81.7% (2015: 85.3%) of our total revenue, respectively. Our Directors believe that the competition in the system integration industry is intense and our ability to secure contracts is one of the critical factors that is important to our success. Our success requires us to maintain good relationships with our existing customers and to develop new relationship with potential customers. Our integrated systems are provided on a project basis and our customers may subsequently engage us in enhancement works or conducting upgrades for the systems integrated by us in previous projects. Our customers may also engage us to integrate new systems after the retirement of outdated systems. However, there is no assurance that the customers will continue to provide us with the new businesses after completion of our projects. In the event that we are unable to succeed in securing existing customers and obtaining sufficient number of recurring and/or new system integration contracts, our competitive advantage may be weakened.

We rely on a single geographical market and any adverse economic, social and/or political conditions affecting the market may adversely affect our business

We rely on our operations in Seoul for the vast majority of our revenue and profits. As such, our Group's revenue and results of operations are substantially dependent on the market of Seoul. Developments in Seoul and any of its neighbouring regions regarding economic and political development, changes in the government's regulations on system integration industry, social unrest or upheavals, or outbreak of any severe contagious diseases or pandemic within Seoul, or any neighbouring regions, may have a significant adverse impact on the system integration industry in Seoul. As a result, our business, results of operation and financial condition may be adversely affected.

We may not be able to keep up with rapid technological changes and may be driven out of competition

The system integration industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and continually improving the know-how of our staff in response to evolving demands of the market place. Failing to adapt to such changes would have a material adverse effect on our business.

ENVIRONMENTAL POLICY

Environmental policy is set out in the section of "Environmental, Social and Governance Report " in this report on pages 57 to 68.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2016.

KEY RELATIONSHIPS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

Owing to the fact that our system integration can be applied to various industries, we have a diverse base of customers ranging from small and medium enterprises to multinational corporations and government-owned entities. We will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select suppliers based on our past experience working with them, their reputation in the industry, specification of their hardware and software components, and quality of their after sales service and price.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 December 2016, our largest customer accounted for approximately 15.4% (2015:6.1%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 29.7% (2015:23.4%).

For the year ended 31 December 2016, our largest supplier accounted for approximately 13.6% (2015: 10.6%) of our total costs of hardware and software component incurred, while the percentage of our total costs of hardware and software component incurred attributable to our five largest suppliers in aggregate was approximately 30.9% (2015: 27.3%).

For the year ended 31 December 2016, our largest subcontractor amounted to approximately 11.7% (2015: 24%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 45.5% (2015:76.8%).

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the share option scheme.

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements or the Prospectus is set out on page 148 of this annual report. This summary does not form part of the consolidated financial statements for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company had no retained profit available for distribution to Shareholders of the Company. However, in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Articles, the share premium account of the Company of HK$46,198,000 is, subject to solvency test, available for distribution to Shareholders.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 21 June 2016 (the "Scheme") as approved by a resolution of the Shareholders passed on 21 June 2016.

Details of the Scheme are as follows:

1. Purpose of the Scheme	To provide an incentive or a reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.
2. Eligible participants to the Scheme	Any employee (full-time or part-time), director, supplier and customer of the Group or any invested entity; any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any invested entity; and any person (who in the sole discretion of the Board) has contributed or may contribute to the Group or any invested entity.

3. Total number of shares available for issue under the Scheme and percentage to the issued shares as at the date of this annual report	40,000,000 shares (equivalent to 10% of the total number of shares of the Company ("Shares") in issue as at the Listing Date).
4. Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.
5. The period within which the shares must be taken up under an option	A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme.
6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The payment or remittance of HK$1.00 within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.
8. The basis of determining the exercise price	Being determined by the Board and shall be at least the highest of:– (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date.
9. The remaining life of the Scheme	The Scheme is valid and effective for a period of ten (10) years commencing on 21 June 2016 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

DIRECTORS

The Directors (the "Board") from the Listing Date and up to the date of this report are as follows:

Executive Directors

Mr. Suh Seung Hyun *(Chairman)*
Mr. Phung Nhuong Giang *(Deputy Chairman)*
Mr. Lee Seung Han *(Chief Executive Officer)*
Mr. Ryoo Seong Ryul
Mr. Park Hyeoung Jin

Independent Non-executive Directors

Mr. Wong Sik Kei
Mr. Ho Kam Shing, Peter
Mr. Sum Chun Ho *(appointed on 2 November 2016)*
Mr. Ngan Chi Keung *(passed away on 15 October 2016)*

In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such general meeting. Any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting and shall be eligible for re-election.

In accordance with article 83 (3) of the Articles, all the Directors, namely, Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang, Mr. Lee Seung Han, Mr. Ryoo Seong Ryul, Mr. Park Hyeoung Jin, Mr. Wong Sik Kei, Mr. Ho Kam Shing, Peter and Mr. Sum Chun Ho, shall retire at the forthcoming annual general meeting of the Company ("AGM"). Mr. Park Hyeoung Jin will not offer for re-election and hence will retire at the AGM. All of the other retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 23 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements of this annual report.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in notes 21 and 33 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period from the Listing Date to 31 December 2016.

MANAGEMENT CONTRACTS

From the Listing Date to 31 December 2016, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this annual 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 of Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Disclosure of Interests" below and "Share Option Scheme" in note 29 to the consolidated financial statements, at no time during the period from the Listing Date to 31 December 2016 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2016, 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, 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 31 December 2016 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2016, 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 31 December 2016, 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%

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, 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 31 December 2016 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2016, 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date to 31 December 2016, none of the Directors or the controlling Shareholders or their respective close 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.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group from the Listing Date to 31 December 2016.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is set out in note 33 to the consolidated financial statements of this annual report. The related party transaction disclosed in note 21 to the consolidated financial statements is a connected transaction that is fully exempt from reporting, announcement and independent Shareholders' approval pursuant to the GEM Listing Rules. The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules in respect of such connected transaction.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the year, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely LiquidTech, AMS, Mr. Phung Nhuong Giang, Mr. Suh Seung Hyun, Mr. Lee Seung Han, Mr. Park Hyeoung Jin and Ms. Marilyn Tang, entered into the Deed of Non-competition in favour of the Company on 28 June 2016 (the "Deed"), details of which have been set out in the Prospectus.

The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed throughout the period from the Listing Date to 31 December 2016. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Deed from the Listing Date to 31 December 2016.

DONATIONS

Charitable or other donations made by the Group from the Listing Date to 31 December 2016 amounted to HK$26,722.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules since the Listing Date and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

I. For attending and voting at the annual general meeting

The register of members of the Company will be closed from Friday, 5 May 2017 to Wednesday, 10 May 2017 (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 May 2017.

II. For entitlement of proposed final dividend

The register of members of the Company will be closed from Tuesday, 16 May 2017 to Thursday, 18 May 2017, (both days inclusive, 3 business days in total), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2017.

USE OF PROCEEDS

The net proceeds from the placing were approximately HK$33.3 million, which was based on the placing price of HK$0.58 per Share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance to the future plans as set out in the Prospectus and the announcement of allotment results dated 7 July 2016.

The net proceeds from the Placing from Listing Date to 31 December 2016 were used as follows:

Use of proceeds		**Planned use of net proceeds up to 31 December 2016**	**Actual use of net proceeds up to 31 December 2016**
		HK$ million	*HK$ million*
1)	Setting up an office in Busan city	3.4	0
2)	Acquiring maintenance equipment to support our maintenance service in Busan city	0.6	0
3)	Acquiring testing equipment for performance check of the integrated systems	1.0	0
4)	Setting up office in Hong Kong	2.6	0.8
Total:		7.6	0.8

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus with the Group's actual business progress from Listing Date to 31 December 2016 ("Review Period") is set out below:

Business strategies	Implementation activities	Sources of funding during the Review Period	Actual business progress during the Review Period
Expanding market share by setting up new service points	– Setting up an office in Busan city	– Listing proceeds of approximately HK$3.4 million	– Setting up an office in Busan city was prolonged to 2017 as the Group was not able to identify a suitable location under the Review Period and remains cautious in local expansion given the risks associated with the political turmoil of the presidential scandal in Korea, which could have an adverse impact on the local economy.
	– Acquiring maintenance equipment to support our maintenance service in Busan city	– Listing proceeds of approximately HK$0.6 million and our internal resources	– Purchase of maintenance equipment was prolonged until the office in Busan city is being located and set up.
	– Acquiring testing equipment for performance check of the integrated systems	– Listing proceeds of approximately HK$1 million	– Purchase of testing equipment was prolonged until the office in Busan city is located and set up.
Setting up office in Hong Kong	– Handling the administrative matters in relation to the Listing, and potential of being utilised as a hub for facilitating the operations of our Group in the implementation of the overseas projects	– Listing proceeds of approximately HK$2.6 million	– The Group has leased an office in Hong Kong and utilised Listing proceeds of HK$0.8 million. Further cost will be incurred in 2017 as the renovation is still on-going.
Exploring overseas business opportunities	– Conducting feasibility studies to explore market potential of system integration in other Asian countries	Our internal resources	– Completed as intended
Expanding our professional team and enhancing our service quality	– Recruiting new salespersons, engineers and administrative staff to support the business in Busan city	Our internal resources	– Prolonged due to the office in Busan city not yet set up as explained above.

PERMITTED INDEMNITY PROVISIONS

Under the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

As a data technology service provider in Korea, the Group actively adheres to the enterprises' environmental and social responsibilities. We are mindful of our social responsibility and commitment in engaging our stakeholders to build a greener future.

Discussions on the Company's environmental, social, and governance practices, relationships with stakeholders and compliance with relevant laws and regulations which have a significant impact on the Company are contained in the sustainability review in the Environmental, Social and Governance Report on page 57 to 68 in this annual report.

AUDITOR

BDO Limited has been appointed as auditor of the Company and has audited the Group's financial statements for the year ended 31 December 2016.

The Company has not changed its external auditor since the Listing Date up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of BDO Limited as the auditor of the Company.

EVENTS AFTER THE REPORTING DATE

As from 31 December 2016 to the date of this annual report, no significant events have occurred.

On Behalf of the Board

Suh Seung Hyun
Chairman

20 March 2017

I. PREAMBLE

As a data technology service provider in Korea, the Group actively adheres to the enterprises' environmental and social responsibilities. The Board is ultimately responsible for leading the ESG works by establishing dedicated teams to manage ESG issues within each business division. Designated staff are assigned to enforce and supervise the implementation of relevant policies.

The Group is committed to making continuous improvements in environmental and social responsibilities in order to meet the changing needs of an advancing society. The Group is pleased to present its first ESG Report which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the GEM Listing Rules.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational boundary which is the core business on provision of integrated systems and maintenance service in Korea. The reporting period of this ESG report is for the financial year 2016, from 1 January 2016 to 31 December 2016 ("FY2016"), unless specifically stated otherwise.

III. STAKEHOLDER ENGAGEMENT

In identifying and understanding the main concerns and material interests of stakeholders for the purpose of the conducting the Group's materiality assessment on social and environment issues, the Group has engaged its stakeholders, including shareholders, customers, employees and suppliers. Stakeholders are selected based on stakeholder influence and stakeholder dependence on the Group. Stakeholders with high influence and high dependence on the Group are selected by the management of the Group. The selected stakeholders have been invited to express their views and concerns on major social and environment issues. The stakeholder engagement procedure has been conducted through online survey. For this report, the Group has identified the aspects of customer data protection and privacy policies, protection of intellectual property rights and legal compliance on operating practices as material concerns to stakeholders.

After assessing the feedback from internal and external stakeholders through an online survey, the Group has reviewed the sustainability strategies, practices and measures undertaken in FY2016 and highlighted material and relevant aspects throughout this report so as to align with the stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

In recent decades, environmental protection issues are becoming more and more important as a result of global climate change, air pollution and water pollution caused by human activities. The Group has been paying great attention on protecting the environment and taking the responsibility to curb global warming. The Group strives to protect the environment by integrating a range of environmental initiatives across its business. The Group is committed to minimise the environmental impact of the Group's business operation by reinforcing environmental awareness and implementing measures on energy saving, waste management and use of resources in a responsible manner.

A.1. Emissions

As a Korea-based company principally engaged in the provision of integrated systems and maintenance service, the Group's business has insignificant impacts on the environment in terms of wastewater, waste pollutants, air pollutants and hazardous waste. The Group endeavours to operate its business operations in an environmental sustainable manner and to make contributions to curb global climate change.

The wastewater and solid waste generated from the Group are mainly the domestic sewage and garbage by the staff from the daily operating activities in office. Although emissions from the office are very insignificant in the daily operations, the Group continuously encourages the staff to make contribution on carbon reduction and energy saving. The Group recycles the toner cartridges for copiers and printers, used light pipes and light bulbs regularly. The Group is dedicated to protecting the environment by taking every simple action which is feasible in its office operating boundaries.

Basically, no food waste was generated in the office operating boundaries since food processing and delivery of food to the office building are not allowed. In addition, the office is located in a non-smoking building where smoking is permitted only in extremely restricted smoking areas. Therefore, the emission of smoking pollutant is controlled.

The Green House Gas ("GHG") emission from the Group is mainly from its purchased electricity consumed in daily office operations. To reduce the amount of GHG emission, the Group implements several practical measures in saving energy as further described in the next section "Use of Resources". With sound awareness on energy saving by the Group in curbing global warming, along with the effective implementation of the corresponding policies and measures by the employees, the Group targets to reach a positive reduction of carbon emission progressively.

A.2. Use of Resources

The Group strives to save energy and resources through the persistent implementation of internal policies and use of advanced technologies in order to ensure resources are consumed in a responsible manner. To ensure green policies are followed in its daily operations, the Group has educated the staff on areas such as paper saving, energy saving and recycling of office stationeries.

The electricity consumption of the Group is directly resulted from the use of lighting, air-conditioners, computers and other office equipment in the office. The Group has taken the following measures on electricity conservation:

- Post notices on electricity saving measures which are practicable in daily operations;
- Switch off the computers (other than system servers and network equipment) and lights by the end of each working day;
- Keep the office equipment clean (such as refrigerator, air-conditioner and paper shredder) and ensure that they run efficiently by regular checks and maintenance;
- Unplug the sockets of equipment like copying and printing machines before long holidays to save energy consumption; and
- Turn off the office equipment like paper shredder whenever they are not in use.

Water consumption by the Group is generally generated from the domestic use by the staff and visitors during the office hours. In order to save water consumption, the Group has been continuously executed the following measures it is daily operations:

- Remind staff through email and notice to turn off water taps after use in order to save water; and
- Present "Saving Water Resource" posters in prominent places to encourage water conservation.

A.3. The Environment and Natural Resources

The main natural resources consumed by the Group include paper from the office copying and printing machines and the daily use of tissue papers by the staff. Since an electronic approval system has been adopted by the Group, a paperless environment has been created with significant decrease of paper consumption. For inevitable use of paper, the use of scrap paper and double-sided printing are actively encouraged. The Group also creates a paperless culture in-house by using email, Kakao Talk, Naver Band and other similar social networks for communication. The Group has put great efforts to implement the following simple actions in order to minimise the use of natural resources:

- Recycle used stationeries;
- Record and monitor the paper usage of each staff through the use of access cards for copying and printing;
- Preview documents to adjust page layout or margins before printing with the aim of reducing paper wastage;
- Print out the exact number of copies required to avoid waste;
- Save and avoid waste of tissue papers; and
- Use the back of old documents for printing or as draft paper.

V. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group treasures talent as it is the most valuable asset and key for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and suitable platform for career development and advancement.

The human resources policies strictly adhere to the applicable employment laws and regulations in Korea, including the Labour Standards Act, Minimum Wage Act, Wage Claim Guarantee Act, the Employee Retirement Benefit Security Act, the Act on Equal Employment and Support for Work-Family Reconciliation, the Act on the Promotion of Worker Participation and Cooperation that are enforced by the State Regulations of Korea to provide employee benefits. The Group also complies with the National Health Insurance Act, the National Pension Act, the Employment Insurance Act and the Industrial Accident Compensation Insurance Act in providing employees' social insurance coverage, including the national health insurance, national pension, employment insurance and industrial accident compensation insurance. The Group has formulated the "Rule of Employment" to standardise the human resources policy according to the above laws and regulations, and the Group reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

The Group believes that success depends upon its ability to hire and cultivate experienced, motivated and well-trained members of the professional team. To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. The Group also makes reference to market benchmarks. In order to motivate and reward the existing management and employees, the Group conducts regular compensation review to ensure that the staff is recognised with regard to their working efforts and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other non-job related factors in all business units. The equal employment policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in complying with the relevant government legislations, ordinances and regulations.

The Group determines working hours and rest periods for the employees in line with local employment laws and employment contracts with employees. In addition to statutory holidays stipulated by the employment laws of local government such as the paid annual leave, employees may also be entitled to special leave such as maternity leave and paid leave for certain family occasions.

To cultivate employees' sense of belonging, additional employee benefits include the provision of working uniform based on job requirements and provision of congratulatory and condolence allowances in case of employees' family events subject to management approval. Besides, the Group hosted a diverse range of activities for its employees in FY2016, such as athletic competition, overseas workshop, divisional workshop, year-end ceremony and establishing a hobby club support policy. These events helped the employees to relieve stress and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, the Group's safety and health policies are in line with various laws and regulations stipulated by the Government of Korea, including the Occupational Safety and Health Act. The Group has established a comprehensive mechanism in committing to workplace safety by incorporating a range of occupational health and safety measures for all of its employees, in accordance with the Safety and Health Management Regulations under the Occupational Safety and Health Act.

Designated officer is assigned to enforce and supervise the implementation of work plan regarding overall safety, health and hygiene, and periodic inspection of harmful or dangerous machines, devices and equipment. In addition, the Group is committed to arranging its staff to attend regular safety and health-related educational trainings every year, especially trainings which are conducted by designated educational institutions such as government authorities, associations or persons who have completed the educational courses to become lecturers in the relevant fields. Newly hired workers and ordinary workers are required to undergo health examinations in ensuring their fitness for work and maintaining a healthy workplace. An emergency communication network has been established for each workplace in coping with any accidents which may result in losses of lives and properties. Those measures help employees to minimise the risk of accidents and enhance the employees' health and safety awareness. In addition, the Group prohibits smoking and drinking of liquor at workplace and holds emergency response drills regularly with the aim of maintaining a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The Group targets to always maintain an accident-free workplace environment.

B.3. Development and Training

The Group offers different training and development opportunities to its staff in order to strengthen work-related skills and knowledge, and improve operational efficiency and productivity. The Group has established a systematic training system and implemented training programmes to executives and employees with their individual capacity and qualifications being taken into consideration.

In enhancing the competitiveness and improving staff quality through continuous learning, the Group formulates and structures the training courses by analysing the needs of different departments through conducting meeting and demand survey every year, and classifies the training courses in different natures. Leadership capacity courses focus on training of industry knowledge, professional knowledge and skills, management skills, financial management, interpersonal coordination and leadership. Job capacity courses mainly include training on basic knowledge, technology and attitude required for performing duties in different business units. Common capacity courses provide training for spreading management philosophy and strengthening core competencies. In FY2016, the Group held various technical trainings such as SAVVIUS Solution training, Palo alto Basic training, FireEye technical training, Brocade SDN training and Citrix Basic Training. The Group also encourages employees to attend external seminars and sit for public or professional examinations which they may be entitled to subsidies and examination leave upon management approval.

The Group conducts the above trainings based on assessments and feedbacks on the needs of training programmes collected from department heads every year. The Group conducts the assessments through tests, classroom discussion, sharing or classwork in order to assess the effectiveness of training programmes for employees.

B.4. Labour Standards

The Group strictly abides by the Labour Standards Act and related regulations in Korea to prohibit any child and forced labour employment. The "Rule of Employment" adopted pursuant to those laws allows the Group to hire employees over the age of 18 and prohibits the employment of persons under the age of 15 without a special employment permit issued by the Minister of Labour. To combat against illegal employment of child labour and forced labour, prior to confirmation of employment, the Group's personnel responsible for recruitment requires job applicants to provide valid identity documents to ensure that the applicants are lawfully employable. The Group always ensures its compliance with the relevant laws and regulations which prohibit child labour and forced labour.

Operating Practices

B.5. Supply Chain Management

With its wired and wireless network technological capacity accumulated through over 20 years of industry experience and being a socially responsible enterprise, the Group has maintained long term and stable relationships with the suppliers which enable the Group to keep abreast of their new products development and to have their continuous support in the system integration business.

The consistent practice in supply chain management is essential for the Group's sustainability in establishing a mutual trust and understanding with its business partners. The Group expects the suppliers to operate in full compliance with applicable local environmental laws, ordinances and regulations. For example, possession of the electromagnetic compatibility certification is one of the suppliers' selection criteria for relevant procurements. Besides, the supplier selection is also based on the suppliers' reputation in the industry, specification of their hardware and software components, customer satisfaction, product stability, marketing support and price.

The Group maintains a list of approved suppliers. To avoid the disruption of services and for cost control, the Group selects the best suppliers by obtaining quotations from different suppliers. The Group monitors the quality of suppliers and supply chain practices on a strict and continuous basis. The Group conducts supplier evaluation through Vendor Monitoring Checklist every quarter and performs detail annual assessment on the overall performance of suppliers by considering their product quality, relationship and reputation, the number of complaints received from the customers and status of the quality certification. The Group believes that a strong relationship with major suppliers is essential for maintaining the service quality of the Group.

In addition, the suppliers generally have repair and replacement policies in respect of the products supplied and the Group generally has warranty for system components from the suppliers. If any defects are detected, the Group can contact the suppliers to take remedial actions for replacement. The Group closely monitors the implementation of the remedial measures to ensure that they are carried out properly and effectively.

B.6. Product Responsibility

Upholding the core value of business "Design the happiness of the customer", the Group precisely grasps the trend for customers' needs on product and service quality through different channels. With regard to the product safety, advertising and labelling, the Group is strictly in compliance with the relevant rules and regulations in Korea such as the Product Liability Act and Fair Labelling and Advertising Act. The technical support department conducts regular evaluations to review the compliance of relevant laws and regulations.

The Group is committed to offering high-quality integrated systems to the market. The project team holds regular project meetings with customers to assess and review the progress and to identify and resolve any problems or issues which may arise during the course of the services. In order to effectively ensure product safety and health to the public, engineers conduct quality control tests in different stages and technical support department performs acceptance inspection for final check before delivery to the customers. The Quality Management System adheres to internationally recognised technical specifications of ISO 9001:2008.

Subsequent quality warranty period would generally be offered for the system integration projects. During the warranty period, the Group generally carries out problem diagnostics and bugs and technical error fixes to ensure that the systems are running properly and in a good condition. When any customer complaint is received, the technical support department is responsible for quality management and taking actions according to the "Procedure for Corrective and Preventive Action". The Group identifies the fault and repairs the relevant parts of the systems to minimise any disruptions to customers' operations and remove the cause of the occurrence in the event of system failures. The Group may also deploy technical staff to provide on-site support when deemed necessary. Customer satisfaction survey will be performed by marketing team bi-annually in striving to stay competitive in the market and understand the customer needs.

In further strengthening of its position in the system integration industry in Korea through expansion of its market share and enhancement of the quality of its services, the Group has received various recognitions of products from public, including electromagnetic certification, model recognition, and Common Criteria for Information Technology Security Evaluation (CC) certification which is an international standard for computer security. This assists the Group to achieve sustainable growth in business and create long-term shareholder's value.

To protect customers' data from unauthorised collection, leakage or hacking, and abuse or misuse of personal information, engineers have the ability to incorporate security elements into the data storage and transmission systems by incorporating a customised firewall technology with threat recognition and detection, data filtering and quarantine protocols, granting access right to major servers and allowing accessibility only by designated personnel. The Group is committed to abiding by the Personal Information Protection Act and related laws and regulations in Korea. Information collected would be used for the purpose for which it has been collected and customers would be informed about how the data collected would be used, where applicable. The Group prohibits the provision of customers' information to a third party without authorisation from the customers and the customers' information shall be destroyed after the holding period is elapsed.

The technical support department has responsibility for final review and inspection of products and product labels to ensure provision of accurate and precise descriptions and information to the customers, in compliance with the relevant local laws and regulations. Any misleading or exaggerated advertisements are strictly prohibited.

The Group is dedicated to protect and enforce its intellectual property rights ("IPR"). In order to protect its interests and actively prevent infringement of IPR, the Group had applied for the registration on material IPR including trademarks, computer programs, service marks, copyrights and domain names in Korea in accordance with the Copyright Law, Trademark Law, Internet Address Resources Act in Korea and related local laws and regulations. The Group has formulated "Intellectual Property Management Policy" to manage the maintenance, renewal and abolition of the IPR during its lifespan. The supervision department shall regularly check for any infringement of the IPR in the market and preliminarily prevent IPR disputes. If a dispute occurs, the Group must swiftly establish a response plan. Besides, if IPR from external parties are necessary for carrying out the business tasks, the Group shall lawfully use the IPR through the implementation of authorised contract.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business, such as Korea's Criminal Act and Act on Preventing Bribery of Foreign Public Officials in International Business Transactions, and Hong Kong's Prevention of Bribery Ordinance. The Group has formulated and strictly enforced anti-corruption policies as stipulated in the "Anti-Corruption Policy Compliance Regulations to prevent any fraudulent practices, such as accepting bribes or rebates, misappropriating or engaging in illegal economic activities. Any form of corruption within the Group will not be tolerated.

All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's interests and affect their business decision or independent judgment in the course of business operations. Compliance materials' acknowledgement receipts are signed by the employees at the time of joining the Group. In addition, when signing business contracts with external parties, where practicable, the Group shall include a corruption prevention statement in the contract stating that they are required to obey the relevant anti-corruption laws and the condition that an audit may be performed if there is a suspicion of inappropriate gifts of money, valuables or other benefits to employees. The Group also arranges regular trainings to executives and employees for enhancing ethical awareness in conducting businesses.

The Group has developed and formulated internal whistleblowing policy to enable employees to directly lodge complaints and report any suspicious activities to the designated officer either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers from fear of threatens and any disadvantage to the whistle-blowers' employment status. Designated officer shall review these policies regularly and ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions. Disciplinary actions will be taken on breaching of the rules, including termination of employment and reporting of the matters to the relevant authorities, which may lead to prosecution under local laws and regulations relating to anti-corruption and bribery.

Community

B.8. Community Investment

The Group places a great emphasis on cultivating social responsibility awareness among employees and encourages them to participate in charitable community activities. The Group believes that undertaking socially responsible initiatives is truly a win-win situation, not only will the Group be attractive to socially conscious customers and employees, but will also make a real difference in the world by contributing love and care.

The Group has been continuously fulfilling the social responsibility through sponsoring the local community and the employees. The Group contributed to the Food Service Campaign by sponsoring money and providing volunteer services for local community. The Group also contributed to education by sponsoring a professors' study group. The Group pays special attention to physical and mental health issues among the employees. Hospitalisation compensation benefit and severance pay of retirement for employees have been established, a fund has also been established for supporting the employees who lose their parents or grandparents. Extra benefits are provided for employee marriage, child birth, child's 1st birthday, and parent's 60th & 70th birthdays. Employees who have served the Group for a long time are also awarded. The Group has also sponsored the employees for hobby club activities by making monetary contributions and holding colourful activities.

The Group plans to establish a systematic policy on supporting the local community from the year of 2017. The policy will include volunteer activities planned in each quarter in connection with international relief and development NGOs. In connection with local communities, the policy will also include fund sponsorship and accumulation of special funds for contributing to areas under disaster.

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TO THE SHAREHOLDERS OF FUTURE DATA GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Future Data Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 74 to 147, which comprise the consolidated statement of financial position as at 31 December 2016, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition from contracts for system integration

(refer to notes 5.9, 6 and 7 to the consolidated financial statements)

For the year ended 31 December 2016, the Group recognised revenue of approximately HK$524,021,000, of which HK$428,289,000, is related to the Group’s revenue from contracts for system integration.

Revenue from contracts for system integration involves a number of projects and is recognised under the percentage of completion method which requires estimation made by management for each project based on the followings:

– Budgeted contract costs; and

– Expected cost to complete the contracts

We have identified this as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements and the judgement required in applying the percentage of completion method for recognising revenue from contracts for system integration.

Our response

Our procedures in relation to the revenue from contracts for system integration included:

– Evaluated the design of controls over revenue recognition;

– Selected a sample of incomplete contracts as at year end and checked calculation of significant components of budgeted contract costs to supporting documents such as purchase orders of equipment and contracts with subcontractors;

– Selected a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs; and

– Re-performed on a sampling basis the calculation of revenue recognised during the year based on the percentage of completion method.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number P01330

Hong Kong, 20 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**524,021**	515,704
Cost of sales		**(440,914)**	(442,632)
Gross profit		**83,107**	73,072
Other income	8	**681**	1,930
Listing expenses		**(10,403)**	(6,529)
Selling and administrative expenses		**(66,090)**	(56,805)
Finance costs	9	**(339)**	(193)
Profit before income tax	10	**6,956**	11,475
Income tax expense	12	**(3,248)**	(3,344)
Profit for the year		**3,708**	8,131
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Recognition of actuarial losses on defined benefit obligations		**(1,057)**	(1,350)
Items that will be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		**501**	–
Realised fair value gain on disposal of available-for-sale financial assets		**–**	(44)
Exchange differences arising on translation of foreign operations		**(2,466)**	(5,078)
Total other comprehensive income		**(3,022)**	(6,472)
Total comprehensive income for the year		**686**	1,659
Earnings per share – Basic and Diluted (HK$)	14	**0.011**	0.027

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**9,333**	12,612
Available-for-sale financial assets	17	**4,029**	5,914
Guarantee deposits		**4,484**	4,423
Deferred tax assets	18	**3,521**	3,054
		21,367	26,003
Current assets			
Inventories	19	**7,038**	8,326
Trade and other receivables	20	**86,255**	97,318
Loan to ultimate holding company	21	**1,765**	–
Amounts due from contract customers	22	**27,677**	8,658
Prepayments		**4,266**	5,786
Pledged bank deposit	17	**3,214**	–
Fixed bank deposits		**5,850**	4,815
Cash and cash equivalents		**77,970**	71,243
		214,035	196,146
Current liabilities			
Trade and other payables	23	**90,468**	133,476
Amounts due to contract customers	22	**1,140**	2,305
Amount due to ultimate holding company	24	**–**	6,341
Bank borrowings	25	**16,266**	11,887
Obligations under finance leases	26	**31**	77
Tax payable		**1,576**	2,576
		109,481	156,662
Net current assets		**104,554**	39,484
Total assets less current liabilities		**125,921**	65,487

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Defined benefit obligations	27	**513**	1,102
Obligations under finance leases	26	**–**	32
		513	1,134
Net assets		**125,408**	64,353
EQUITY			
Share capital	28	**4,000**	3,684
Reserves		**121,408**	60,669
Total equity		**125,408**	64,353

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

	Share capital	Share premium*	Capital reserve*	Investment revaluation reserve*	Research and development reserve*	Foreign exchange reserve*	Legal reserve*	Retained earnings*	Total equity
	(Note 28)	*(Note 31(a))*	*(Note 31(b))*	*(Note 31(c))*	*(Note 31(d))*	*(Note 31(e))*	*(Note 31(f))*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	3,674	–	–	44	3,674	(2,260)	1,530	56,022	62,684
Profit for the year	–	–	–	–	–	–	–	8,131	8,131
Other comprehensive income									
Realised fair value gain on disposal of available-for-sale financial assets	–	–	–	(44)	–	–	–	–	(44)
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	–	(1,350)	(1,350)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(5,078)	–	–	(5,078)
Total comprehensive income	–	–	–	(44)	–	(5,078)	–	6,781	1,659
Issued of shares of a subsidiary	10	–	–	–	–	–	–	–	10
At 31 December 2015 and 1 January 2016	3,684	–	–	–	3,674	(7,338)	1,530	62,803	64,353

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital (Note 28) HK$'000	Share premium* (Note 31(a)) HK$'000	Capital reserve* (Note 31(b)) HK$'000	Investment revaluation reserve* (Note 31(c)) HK$'000	Research and development reserve* (Note 31(d)) HK$'000	Foreign exchange reserve* (Note 31(e)) HK$'000	Legal reserve* (Note 31(f)) HK$'000	Retained earnings* HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016	3,684	–	–	–	3,674	(7,338)	1,530	62,803	64,353
Profit for the year	–	–	–	–	–	–	–	3,708	3,708
Other comprehensive income									
Fair value gain on available-for-sale financial assets	–	–	–	501	–	–	–	–	501
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	–	(1,057)	(1,057)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,466)	–	–	(2,466)
Total comprehensive income	–	–	–	501	–	(2,466)	–	2,651	686
Effects of group reorganisation (note 28 (c))	(3,684)	–	13,855	–	–	–	–	–	10,171
Issue of ordinary shares pursuant to the listing of the Company's shares (note 28 (f))	1,000	57,000	–	–	–	–	–	–	58,000
Capitalisation issue of ordinary shares (note 28 (e))	3,000	(3,000)	–	–	–	–	–	–	–
Expenses incurred in connection with issue of new ordinary shares (note 31)	–	(7,802)	–	–	–	–	–	–	(7,802)
Total transactions with owners	316	46,198	13,855	–	–	–	–	–	60,369
As at 31 December 2016	4,000	46,198	13,855	501	3,674	(9,804)	1,530	65,454	125,408

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

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Profit before income tax	6,956	11,475
Adjustments for:		
Depreciation of property, plant and equipment	4,072	3,623
Exchange loss	485	369
Finance costs	339	193
Net (reversal)/provision for impairment of inventories	(36)	302
Interest income	(389)	(436)
Net loss/(gain) on disposal of available-for-sale financial assets	20	(116)
Loss on disposal of property, plant and equipment	–	107
Provision for impairment of trade receivables	1,741	1,371
Provision for impairment of loan to employee	65	–
Provision for impairment of prepayments	387	–
Operating cash flows before movements in working capital	13,640	16,888
Increase in guarantee deposits	(181)	(4,176)
Decrease in inventories	966	2,944
Decrease in trade and other receivables	7,343	1,860
Increase in amounts due from contract customers	(20,033)	(6,494)
Decrease/(increase) in prepayments	1,042	(3,841)
(Decrease)/increase in trade and other payables	(36,945)	46,029
Increase/(decrease) in bills payable	2,091	(5,624)
(Decrease)/increase in amounts due to contract customers	(1,151)	498
Decrease in net defined benefit obligations	(1,444)	(1,338)
Cash (used in)/generated from operations	(34,672)	46,746
Income taxes paid	(4,079)	(3,709)
Interest received	303	345
Net cash (used in)/generated from operating activities	(38,448)	43,382

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(810)	(6,829)
Proceeds from disposal of available-for-sale financial assets	2,729	–
Purchases of available-for-sale financial assets	(1,025)	(1,985)
Proceeds from disposal of available-for-sale financial assets	778	3,822
Proceeds from disposal of property, plant and equipment	9	461
Increase in pledged bank deposit	(3,214)	–
Increase in fixed bank deposits	(1,337)	(309)
Increase in loan to ultimate holding company	(1,765)	–
Decrease in amount due from a director	–	1,853
Net cash used in investing activities	(4,635)	(2,987)
Cash flows from financing activities		
Proceeds from bank borrowings	40,195	25,257
Repayment of bank borrowings	(37,994)	(17,829)
Interest paid	(349)	(236)
Repayment of obligations under finance leases	(78)	(205)
Dividend paid	(5,404)	(8,383)
Proceeds from new shares issued	50,198	10
Increase in amount due to ultimate holding company (note 35)	3,830	6,341
Net cash generated from financing activities	50,398	4,955
Net increase in cash and cash equivalents	7,315	45,350
Cash and cash equivalents at beginning of year	71,243	29,833
Effect of exchange rate changes on cash and cash equivalents	(588)	(3,940)
Cash and cash equivalents at end of year	77,970	71,243
Analysis of balances of cash and cash equivalents		
Cash and bank balances	77,970	71,243

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 July 2016 ("Listing Date"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at Unit 1002, 10/F, Tung Wai Commercial Building, 109-111 Gloucester Road, Hong Kong.

The principal place of the Group's business is located at 14th – 15th Floor, Deokmyeong Building, Samseong-dong, 625, Teheran-ro, Gangnam-gu, Seoul, Korea.

The principal activity of the Company is investment holding. The Group is engaged in the provision of (i) integration of systems with network connectivity, cloud computing and security elements and (ii) maintenance service (the "Business") in Korea.

As at 31 December 2016, the directors of the Company consider the immediate holding company to be LiquidTech Limited ("LiquidTech"), incorporated in the British Virgin Islands, and the ultimate holding company to be Asia Media Systems Pte. Ltd. ("AMS") incorporated in Singapore.

2. BASIS OF PRESENTATION AND GROUP REORGANISATION

In preparation of the listing of the Company's shares on GEM (the "Listing"), the Group underwent a corporate reorganisation ("Reorganisation") to rationalise its group structure. Prior to the Reorganisation, the Company's principal operating subsidiary, Global Telecom Company Limited ("Global Telecom"), was wholly-owned by a corporate shareholder, 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 as more fully explained in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the prospectus dated 29 June 2016 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 ("SuperChips"). Upon completion of the Reorganisation, the Company has become a subsidiary of LiquidTech 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 and has not resulted in any change of economic substance with continuous common control by the controlling shareholders of AMS. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 December 2016 and 2015 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the current group structure had been in existence throughout the years ended 31 December 2016 and 2015 or since their respective dates of incorporation, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence, at that date, taken into account the respective dates of incorporation.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

Annual Improvements 2012-2014 Cycle

The amendments involve minor changes or clarifications on certain accounting standards. Among these clarifications or changes are amendments on HKAS 19 "Employee Benefits" ("HKAS 19") to clarify the discount rate used to determine post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The adoption of these minor amendments or clarifications has no impact on these financial statements. In particular for HKAS 19, the treatment is consistent with the manner in which the Group has previously dealt with the discount rate used to determine post-employment benefit obligations.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (Continued)

Amendments to HKAS 1 – Disclosure Initiative (Continued)

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
Amendments to HKFRS 2	Share-Based Payment[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Statement of Cash Flows

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Share-Based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of above new and revised standards and amendments will have no material impact on the consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 may impact on amounts reported in respect of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in early recognition of credit losses of the Group's trade and other receivables, if any. The directors are in the process of assessing the quantitative effect of these requirements and are not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors have preliminarily assessed that the adoption of HKFRS 15 will not have a material impact on the amount of revenue recognised from the contracts for system integration and maintenance service. However, there will be far more extensive disclosure regarding revenue in the Group's financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments HKFRS 15 – Revenue from Contracts with customers (Continued)

The directors are still in the process of assessing the full impact of the application of HKFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. As a result, the above preliminary assessment is subject to change.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases (Continued)

As set out in note 34 below, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2016 amounted to approximately HK$11,190,000. Based on current leasing patterns, the Group expects the adoption of HKFRS 16 as compared with the current accounting policy would not significantly impact the Group's financial performance but it is expected that certain portion of the operating lease commitments would be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. BASIS OF PREPARATION

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

4.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain available-for-sale financial assets which are stated at fair value as disclosed in the summary of significant accounting policies in note 5.6.

4.3 Functional and presentation currency

The functional currency of the Company's principal operating subsidiary, Global Telecom, is South Korean Won ("KRW"), while the consolidated financial statements are presented in Hong Kong dollars ("HK$"). As the Company's shares are listed on the GEM of the Stock Exchange, the directors consider that it will be more appropriate to adopt HK$ as the Group's presentation currency. The amounts stated are rounded to the nearest HK$1,000 unless otherwise stated.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives of 5 years on a straight-line basis.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Property, plant and equipment (Continued)

The assets' depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5.4 Impairment of non-financial assets

At the end of each reporting period, property, plant and equipment for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5.6 Financial instruments

Financial assets

The Group's financial assets mainly comprise available-for-sale financial assets including investment in insurance policies, unlisted equity securities; and loans and receivables including trade receivables, retention money receivable, bills receivable, short-term loans to employees loan to ultimate holding company and cash at banks and in hand.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all the risks and rewards of ownership have been transferred.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial assets (Continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets (including investment in insurance policies) are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments (including unlisted investment securities) that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

At each reporting date, the Group's financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events.

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

If, in subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in the carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

Financial liabilities

The Group's financial liabilities include accrued expenses and other payables, bank borrowings, amount due to ultimate holding company and obligations under finance leases, which are financial liabilities at amortised cost.

Financial liabilities are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method. The related expense is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

5.8 Revenue and other income recognition

Revenue which is measured net of value-added tax is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably as follows:

(i) Revenue from contracts for system integration is recognised based on the percentage of completion method in accordance with the accounting policy in note 5.9.

(ii) Revenue from maintenance service is recognised using straight-line method over the terms of maintenance contracts.

(iii) Interest income is recognised as it accrues and is calculated by using the effective interest method.

5.9 Contracts for system integration

Revenue comprises the agreed contract amount. Contract costs incurred comprise cost of hardware and software sourced from outside vendors, engineer cost and other costs of personnel directly engaged in the contracts and where applicable subcontracting cost and attributable overheads.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.9 Contracts for system integration (Continued)

Revenue from fixed price contracts is recognised based on the percentage of completion of the contracts provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred up to the reporting date as compared to the total costs to be incurred under the contracts except where this would not be representative of the stage of completion. Where the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as amounts due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as amounts due to contract customers.

5.10 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10 Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

5.11 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

National Pension Scheme

The employees of Global Telecom are required to participate in a National Pension Scheme which is a defined contribution plan operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the National Pension Scheme.

Defined benefit plan

In addition to the contributions under the National Pension Scheme, Global Telecom operates a defined benefit plan covering its employees in Korea. The cost of providing benefits is determined using the projected unit credit method. Remeasurements of the net defined benefit liability, which include actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The net interest expense on the net defined benefit liability is determined by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and service cost are recognised in profit or loss.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of plan assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.13 Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

5.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and bank deposits with an original maturity of three months or less.

5.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.16 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.18 Related parties

(a) **A person or a close member of that person's family is related to the Group if that person**

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.18 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimate has been changed. Management reassesses the estimate at each reporting date.

Estimated impairment loss of trade and other receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgment. When there is objective evidence of impairment loss of trade and other receivables, the Group takes into consideration the estimation of future cash flows of respective trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Management reassesses the estimate at each reporting date.

Fair value measurement

A number of financial instruments included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy")

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 17.

Defined benefit pension plan

The costs of the defined benefit pension plan and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Contracts for system integration

Revenue from contracts for system integration is recognised under the percentage of completion method which requires estimation made by management. The Group's management estimates the contract costs, outcome and expected cost to complete the contacts based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcome and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognised.

7. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company 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.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

(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 consolidated financial statements. The revenue reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

There was no information regarding segment assets and liabilities provided to the executive directors as they do not use such information for the purpose of allocation of resources and segment performance assessment.

The segment results are as follows:

2016

	System integration HK$'000	Maintenance service HK$'000	Total HK$'000
Total segment revenue	428,289	95,732	524,021
Gross profit/segment results	48,580	34,527	83,107
Other income			681
Listing expenses			(10,403)
Selling and administrative expenses			(66,090)
Finance costs			(339)
Profit before income tax			6,956
Income tax expense			(3,248)
Profit for the year			3,708

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

2015

	System integration HK$'000	Maintenance service HK$'000	Total HK$'000
Total segment revenue	439,732	75,972	515,704
Gross profit/segment results	46,908	26,164	73,072
Other income			1,930
Listing expenses			(6,529)
Selling and administrative expenses			(56,805)
Finance costs			(193)
Profit before income tax			11,475
Income tax expense			(3,344)
Profit for the year			8,131

For the year ended 31 December 2016, one customer contributed to 15% of the Group's revenue. No customer contributed more than 10% of the Group's revenue during the year ended 31 December 2015.

During each of the years ended 31 December 2016 and 2015, the entire Group's revenue is derived from Korea based on the location of the headquarters of the Group's customers. As at 31 December 2015, all non-current assets were located in Korea.

The Company is an investment holding company and the principal place of the Group's operation is in Korea. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Korea as its place of domicile.

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income	**389**	436
Claims awarded by court	**–**	960
Gain on disposal of available-for-sale financial assets, net	**–**	116
Gain on foreign exchange, net	**115**	–
Miscellaneous gains	**177**	418
Total	**681**	1,930

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on borrowings	335	179
Interest element of finance lease payments	4	14
Total	339	193

10. PROFIT BEFORE INCOME TAX

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

	2016 HK$'000	2015 HK$'000
Carrying amount of inventories sold	354,835	375,754
Net (reversal)/provision for impairment of inventories	(36)	302
Costs of inventories recognised as expenses	354,799	376,056
Employee costs (note 11)	69,012	61,449
Subcontracting costs	50,684	38,095
Provision for impairment of trade receivables	1,741	1,371
Provision for impairment of loan to employee (note 20)	65	–
Provision for impairment of prepayments (note (b))	387	–
Depreciation of property, plant and equipment	4,072	3,623
Auditor's remuneration	1,106	492
Research and development costs (note (a))	2,387	2,394
Net loss/(gain) on disposal of available-for-sale financial assets	20	(116)
Net (gain)/loss on foreign exchange	(115)	329
Loss on disposal of property, plant and equipment	–	107
Minimum lease payments in respect of rented premises	1,639	1,609

(a) Research and development costs included employee costs of approximately HK$2,387,000 (2015: HK$2,394,000) as disclosed above.

(b) During the year, provision for impairment of prepayments amounting to approximately HK$387,000 (2015: nil) has been made as disclosed above after management's assessment that it might be uncollectible.

11. EMPLOYEE COSTS

	2016 HK$'000	2015 HK$'000
Employee costs (including directors) comprise:		
Salaries	**55,776**	49,657
Contributions to National Pension Scheme	**1,876**	1,600
Defined benefit costs (note 27)	**3,434**	2,985
Other benefits	**7,926**	7,207
Total	**69,012**	61,449

12. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2016 HK$'000	2015 HK$'000
Current tax		
Tax for the year	**3,956**	4,475
Under-provision in respect of prior year	**–**	161
	3,956	4,636
Deferred tax		
Current year	**(708)**	(1,292)
Total	**3,248**	3,344

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 the year ended 31 December 2016. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2016 are as follows:

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK$1.3 million for the year ended 31 December 2016 (2015: KRW200 million (equivalent to approximately HK$1.3 million));

12. INCOME TAX EXPENSE (CONTINUED)

- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK$1.3 million for the year ended 31 December 2016 (2015: KRW200 million (equivalent to approximately HK$1.3 million)) and up to KRW20 billion (equivalent to approximately HK$133.9 million for the year ended 31 December 2016 (2015: KRW20 billion (equivalent to approximately HK$131.9 million));

- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$133.9 million for the year ended 31 December 2016 (2015: KRW20 billion (equivalent to approximately HK$131.9 million)).

No Hong Kong Profits Tax has been provided as the Group did not have assessable profits which are subject to tax in Hong Kong during the year.

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	6,596	11,475
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	2,121	2,734
Tax effect of expenses not deductible for tax purposes	2,728	2,241
Tax credit	(1,303)	(1,195)
Others	(298)	(436)
Income tax expense for the year	3,248	3,344

13. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends	–	–

The directors have recommended a final dividend of HK cents 1.15 per ordinary share (2015: Nil), totalling HK$4,600,000, which is to be approved at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in these consolidated financial statements.

13. DIVIDENDS (CONTINUED)

There was no dividend declared by any Company now comprising the Group during the year ended 31 December 2015. The dividends of approximately US$689,000 (equivalent to HK$5,325,000) and US$1,111,000 (equivalent to HK$8,383,000) paid during the years ended 31 December 2016 and 2015 respectively represented balance payments of dividend declared by Global Telecom during the year ended 31 December 2014 to its then shareholders.

There are no income tax consequences related to the payment of dividends by the Company to its shareholders.

14. BASIC AND DILUTED EARNINGS PER SHARE

	2016	2015
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company	**3,708**	8,131

	2016	2015
	Number'000	Number'000
Number of shares		
Weighted average number of ordinary shares (note)	**348,220**	300,000

Note: Weighted average of 300,000,000 ordinary shares for the year ended 31 December 2015, being the number of ordinary shares in issue immediately after the completion of capitalisation issue in July 2016 as detailed in note 28(e), deemed to have been issued throughout the year ended 31 December 2015 and up to 7 July 2016, immediately before the completion of the placing of the Company's new ordinary shares.

Weighted average of 348,220,000 ordinary shares for the year ended 31 December 2016, includes the weighted average of 100,000,000 ordinary shares issued immediately after the completion of placing, in addition to the aforementioned 300,000,000 ordinary shares for the year ended 31 December 2015.

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2016 and 2015.

15. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

Directors' remuneration

2016

	Fees HK$'000	Basic salaries, allowances and other benefits in kind HK$'000	Contribution to pension schemes HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Suh Seung Hyun	–	1,069	63	1,132
Mr. Phung Nhuong Giang	–	444	–	444
Mr. Lee Seung Han	–	972	63	1,035
Mr. Ryoo Seong Ryul	–	792	56	848
Mr. Park Hyeoung Jin	–	983	62	1,045
Total	–	4,260	244	4,504
Independent non-executive directors:				
Mr. Wong Sik Kei	–	51	–	51
Mr. Ho, Kam Shing Peter	–	51	–	51
Mr. Ngan Chi Keung	–	27	–	27
Mr. Sum Chun Ho	–	15	–	15
Total	–	144	–	144

15. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES (CONTINUED)

Directors' remuneration (Continued)

2015

	Fees	Basic salaries, allowances and other benefits in kind	Contribution to pension schemes	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. Suh Seung Hyun	–	921	67	988
Mr. Phung Nhuong Giang	–	–	–	–
Mr. Lee Seung Han	–	854	67	921
Mr. Park Hyeoung Jin	–	909	66	975
Total	–	2,684	200	2,884

(a) All the executive directors were appointed as directors of the Company on 4 January 2016 except for Mr. Park Hyeoung Jin who was appointed on 4 March 2016.

(b) During the year ended 31 December 2015, remuneration of Mr. Suh Seung Hyun, Mr. Lee Seung Han and Mr. Park Hyeoung Jin were paid by Global Telecom for their directorship of Global Telecom. Mr. Phung Nhuong Giang received no remuneration for his directorship of Global Telecom.

(c) Mr. Wong Sik Kei, Mr. Ho Kam Shing Peter, Mr. Ngan Chi Keung were appointed as independent non-executive directors of the Company on 21 June 2016.

(d) Mr. Ngan Chi Keung passed away on 15 October 2016 and Mr. Sum Chun Ho was appointed as independent non-executive director of the Company on 2 November 2016.

15. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group include 3 (2015: 3) directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 2 (2015: 2) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other emoluments	1,903	1,827
Contribution to pension schemes	106	121
	2,009	1,948

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2016	2015
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year (2015: Nil).

Senior management emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2016	2015
Nil to HK$1,000,000	4	4
HK$1,000,001 to HK$1,500,000	–	1

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2015	470	17,076	554	2,533	20,633
Additions	624	5,925	204	76	6,829
Transferred from inventories	–	574	–	–	574
Disposals	(454)	(410)	(22)	(150)	(1,036)
Exchange realignment	(41)	(1,481)	(47)	(181)	(1,750)
At 31 December 2015	599	21,684	689	2,278	25,250
Additions	–	691	–	119	810
Transferred from inventories	–	191	–	–	191
Disposals	–	(9)	–	–	(9)
Exchange realignment	(15)	(587)	(18)	(63)	(683)
At 31 December 2016	584	21,970	671	2,334	25,559
Accumulated depreciation:					
At 1 January 2015	336	8,057	468	1,499	10,360
Charge for the year	119	3,057	75	372	3,623
Disposals	(339)	(76)	(9)	(42)	(466)
Exchange realignment	(16)	(704)	(36)	(123)	(879)
At 31 December 2015	100	10,334	498	1,706	12,638
Charge for the year	122	3,577	53	320	4,072
Disposals	–	–	–	–	–
Exchange realignment	(8)	(405)	(15)	(56)	(484)
At 31 December 2016	214	13,506	536	1,970	16,226
Carrying amount:					
At 31 December 2016	370	8,464	135	364	9,333
At 31 December 2015	499	11,350	191	572	12,612

As at 31 December 2016, the net carrying amount of motor vehicles included amounts of approximately HK$99,000 (2015: HK$269,000) in respect of assets held under finance leases.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NON-CURRENT

	2016 HK$'000	2015 HK$'000
Unlisted equity securities, at cost (note (a))	**29**	2,008
Unlisted equity securities, at fair value (note (a))	**2,545**	–
Investment in insurance policies (note (b))	**1,455**	3,906
	4,029	5,914

(a) The investment represents Global Telecom's equity interests in two cooperatives all of which are below 20% in Korea:

	2016 HK$'000	2015 HK$'000
Korea Software Financial Cooperative	**2,545**	1,979
Korea Broadcasting & Communication Financial Cooperative	**29**	29
	2,574	2,008

Korea Software Financial Cooperative ("KSFC") was established pursuant to the Software Industry Promotion Act of Korea. KSFC provides to its members, (i) loans and investments necessary to develop software, upgrade technologies and stabilise the management, (ii) guarantees for liabilities of any software business operator who intends to obtain loans from financial institutions for the purpose of developing software, upgrading technologies and stabilising his/her business management, (iii) performance guarantees necessary for business.

Korea Broadcasting & Communication Financial Cooperative ("KBCFC"), formerly known as Korea Communications Industry Cooperative, was established under the provisions of the Small and Medium Enterprise Cooperatives Act of Korea with aims of promoting sound development of information communication industry and welfare of its members to encourage their independent economic activities for the improvement of their economic status and the balanced development of the national economy. Small and medium enterprises engaging in manufacturing telecommunication and broadcasting apparatuses and industrial cooperatives engaging in an identical or related type of business are eligible for membership in KBCFC.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

(a) (Continued)

As at 31 December 2016, KSFC provided the following guarantees on behalf of Global Telecom:

	2016 HK$'000	2015 HK$'000
Description of guarantee		
– Bidding guarantees	1,558	2,908
– Contract guarantees	44,879	86,516
– Defect guarantees	30,252	38,322
– Prepayment guarantees	24,578	53,470
– Payment guarantees	1,157	3,219
	102,424	184,435

KSFC is entitled to be indemnified by Global Telecom under the terms and conditions of the above guarantees given by KSFC. The directors consider that the probability for Global Telecom to indemnify KSFC is remote and the disclosure of contingent liabilities arising from such guarantees as of each reporting date is not required.

Although there is no quoted market price in active market for the investment in KSFC, the directors are of the opinion that the fair value of the investment in KSFC as at 31 December 2016 can be measured reliably given that KSFC is required under Article 35 of Software Industry Promotion Act ("Act"), which became effective on 23 March 2016, to repurchase Global Telecom's investment in KSFC at a value as set out in the statement provided by KSFC to Global Telecom as at 31 December 2016. As at 31 December 2015, which is prior to the effective date of Article 35 of the Act, the investment in KSFC was measured at cost less any accumulated impairment losses as there is no quoted market price in active market for the investment and the directors were of the opinion that its fair value cannot be measured reliably. In respect of the investment in KBCFC, the directors are of the opinion that its fair value cannot be measured reliably and accordingly, the investment is measured at cost less any accumulated impairment losses.

The directors consider the Group does not have significant influence over these two cooperatives.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

(a) (Continued)

As at 31 December 2016, a fixed bank deposit of KRW500 million (equivalent to approximately HK$3.2 million) has been pledged with KSFC in return for the guarantees provided by KSFC above upon the release of personal guarantees provided by Mr. Suh Seung Hyun during the year as detailed in note 33(c). As at 31 December 2015, Mr. Suh Seung Hyun provided a personal guarantee of approximately HK$3.3 million (equivalent to KRW500 million) with respect to KSFC's guarantee facilities.

(b) The Group invested in two types of savings-type insurance policies as detailed below:

	Type A		Type B	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Account value as at 31 December	**224**	2,915	**1,231**	991
Insurance policy type		Accident insurance plan		Life insurance plan
Insured		Employees		Mr. Suh Seung Hyun
Insured sum		HK$284,560 for each employee		HK$106,710
Premium period		3 years		10 years

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 value of these insurance policies provided by insurance companies approximate their fair values.

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policies are detailed in note 37.

18. DEFERRED TAX ASSETS

Details of the deferred tax assets/(liabilities) recognised and movements during the current and prior years are as follows:

	Amortisation expenses	Decelerated/ (accelerated) tax depreciation	Provision for defined benefit obligations	Provision for impairment of trade receivables	Provision for incentive bonus	Provision for impairment of inventories	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	(53)	(206)	208	1,118	505	255	117	1,944
Credited to profit or loss for the year (note 12)	26	172	34	213	292	66	489	1,292
Credited to equity for the year	–	–	–	–	–	–	12	12
Exchange realignment	3	8	(14)	(89)	(68)	(21)	(13)	(194)
At 31 December 2015	(24)	(26)	228	1,242	729	300	605	3,054
Credited/(charged) to profit or loss for the year (note 12)	24	152	(77)	503	71	(8)	43	708
Charged to equity for the year	–	–	–	–	–	–	(141)	(141)
Exchange realignment	–	(5)	(3)	(52)	(21)	(7)	(12)	(100)
At 31 December 2016	–	121	148	1,693	779	285	495	3,521

Deferred tax liability of HK$18,798,000 (2015: HK$15,260,000) has not been recognised on certain temporary differences relating to the undistributed earnings of a foreign subsidiary in Korea because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. INVENTORIES

	2016	2015
	HK$'000	HK$'000
Hardware and software	7,038	8,326

20. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade debtors	**84,239**	100,991
Less: Provision for impairment of trade receivables	**(8,115)**	(6,611)
Trade receivables, net (note (a))	**76,124**	94,380
Retention money receivable	**7,214**	2,275
Short-term loans to employees (note (b))	**565**	633
Accrued interest	**59**	30
Rental and other deposits	**2,235**	–
Other receivables	**58**	–
	86,255	97,318

(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:

	2016 HK$'000	2015 HK$'000
0 – 90 days	**63,185**	72,119
91 – 180 days	**6,265**	14,532
181 – 365 days	**4,243**	6,260
1 – 2 years	**2,103**	399
Over 2 years	**328**	1,070
	76,124	94,380

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

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**6,611**	6,125
Impairment losses recognised	**1,741**	1,371
Written off	**–**	(401)
Exchange realignment	**(237)**	(484)
Carrying amount at 31 December	**8,115**	6,611

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

The ageing analysis of trade receivables net of impairment provision that are past due but not impaired, based on due date is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**63,219**	72,119
0 – 90 days	**6,231**	14,532
91 – 180 days	**4,243**	5,664
181 – 365 days	**2,103**	864
1 – 2 years	**88**	131
Over 2 years	**240**	1,070
	76,124	94,380

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The directors consider that the carrying amounts of trade receivables approximate their fair values.

(b) The loans to employees of Global Telecom are fully secured by the employees' entitlement to retirement benefit, carry market interest rate at 6.90% (2015: 6.90%) per annum as at 31 December 2016 and repayable within one year from the respective dates of drawdown of loans.

During the year, a provision for impairment on loan to an employee amounting to approximately HK$65,000 (2015: nil) has been made (note 10).

21. LOAN TO ULTIMATE HOLDING COMPANY

Details of loan to ultimate holding company are as follows:

	As at 1 January 2016	As at 31 December 2016	Maximum outstanding amount during the year
	HK$'000	HK$'000	HK$'000
2016			
AMS	–	1,765	1,765

The loan to AMS after Listing Date is unsecured, interest bearing at 6.90% per annum and is repayable on 30 June 2017. The loan is denominated in KRW. As at 31 December 2016, Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang, Mr. Lee Seung Han and Mr. Park Hyeoung Jin who are executive directors of the Company are also controlling shareholders of AMS.

22. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2016	2015
	HK$'000	HK$'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**163,512**	67,401
Less: Progress billings	**(136,975)**	(61,048)
	26,537	6,353
Analysed for reporting purposes as:		
Amounts due from contract customers	**27,677**	8,658
Amounts due to contract customers	**(1,140)**	(2,305)
	26,537	6,353

23. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables (note (a))	**81,338**	111,583
Accruals and other payables (note (b))	**7,441**	14,479
Advance receipts	**13**	3,509
Value-added tax payables	**1,676**	3,905
	90,468	133,476

23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
0 – 30 days	**54,476**	72,813
31 – 60 days	**18,195**	12,857
61 – 90 days	**4,914**	2,408
91 – 180 days	**2,792**	17,726
181 – 365 days	**359**	5,403
Over 1 year	**602**	376
	81,338	111,583

Due to short maturity period, the carrying values of the Group's trade and other payables are considered to be reasonable approximation of their fair values.

(b) As at 31 December 2016, accruals and other payables include dividend payable to ultimate holding company of Nil (2015: HK$5,325,000), accrued expense of HK$1,414,000 (2015: HK$3,270,000) and incentive bonus to staff of HK$3,535,000 (2015: HK$3,311,000).

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

This represented the Listing expenses paid by AMS on behalf of the Group during 2015. The carrying amount was capitalised as part of the Reorganisation and credited to capital reserve in 2016.

25. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Unsecured:		
– Bank loans (note (a))	**10,959**	6,302
– Bills payable (note (b))	**3,964**	2,213
	14,923	8,515
Guaranteed:		
– Bills payable (note (b))	**1,343**	1,050
– Other borrowings (note (c))	**–**	2,322
	1,343	3,372
Total borrowings due for repayment within one year	**16,266**	11,887

(a) Bank loans are carried at amortised cost.

Details of the bank loans denominated in US$ are stated below:

	Amount	Interest rate	Repayment date
2016			
Bank A	US$320,722	3-month LIBOR plus 2% per annum	June 2017
Bank B	US$687,057	3-month LIBOR plus 1.42% per annum	February-March 2017
Bank C	US$402,998	3-month LIBOR plus 1.31% per annum	April 2017
2015			
Bank A	US$409,547	3-month LIBOR plus 2% per annum	March 2016
Bank B	US$210,250	3-month LIBOR plus 1.31% per annum	February 2016
Bank C	US$195,404	3-month LIBOR plus 1.31% per annum	February 2016

(b) During the year ended 31 December 2016, bills payable carried interest at 3-month LIBOR plus 1.2% (2015: 0.80% to 2.0%) per annum. The carrying amount of bills payable is denominated in US$.

(c) As at 31 December 2016, there were no foreign currency credit card facilities granted by bank. Other borrowings as at 31 December 2015 represented foreign currency credit card facilities granted by bank with a credit period of 180 days and carried interest at 6-month LIBOR plus 1.42% per annum.

25. BANK BORROWINGS (CONTINUED)

(d) Certain banking borrowings are guaranteed by Korea Credit Guarantee Fund ("KCGF") which is a public financial institution independent of the Group and Mr. Suh Seung Hyun as follows:

(i) As at 31 December 2016, KCGF provided foreign and local currency guarantees to certain banks in the amount of US$500,000 and KRW488,000,000 (2015: US$602,400 and KRW488,000,000) for import financing facilities and bank loans provided to Global Telecom.

(ii) Mr. Suh Seung Hyun provided personal guarantees for 100% to 130% of the credit limit in aggregate of HK$12,044,000 as at 31 December 2015 in respect of banking facilities provided to Global Telecom. During the year ended 31 December 2016, all personal guarantees provided by Mr. Suh Seung Hyun had been released.

26. OBLIGATIONS UNDER FINANCE LEASES

The present value of future lease payments is analysed as:

	2016	2015
	HK$'000	HK$'000
Current liabilities	**31**	77
Non-current liabilities	**–**	32
	31	109

The analysis of the obligations under finance leases is as follows:

	Total minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK'000
Amount payable:				
– Within one year	**32**	81	**31**	77
– After one year but within two years	**–**	33	**–**	32
– After two years but within five years	**–**	–	**–**	–
	32	114	**31**	109
Future finance charges:	**(1)**	(5)	**–**	–
Finance lease obligations:	**31**	109	**31**	109

26. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The Group entered into finance leases for motor vehicles. The lease periods are within three (2015: five) years with effective interest rates ranged from 6.5% to 6.9% (2015: 6.5% to 7.95%) per annum. All leases are repayable in fixed monthly principal instalments plus interest and no arrangements have been entered into for contingent rental payments.

27. DEFINED BENEFIT OBLIGATIONS

The Group operates a defined benefit plan ("Plan") under the Employee Retirement Benefit Security Act ("ERBSA") legislation covering the employees of Global Telecom. The Plan is administered by the independent trustee and the Plan assets are held separately from those of the Group. The Plan provides lump sum benefits when a member ceases employment with Global Telecom. The amount is based on a formula linking final average salary (averaged over three months) and years of service.

Global Telecom must carry out a funding valuation using a prescribed method each year and if the fair value of the Plan assets is below 66.5% of the present value of defined benefit obligation which is the standard required reserve under ERBSA as at 31 December 2016 and 2015, Global Telecom must develop a financial stabilisation plan to make up the deficiency within three years.

The Plan exposes Global Telecom to actuarial risks, such as interest rate risk and longevity risk.

As a result of the Plan characteristics, Global Telecom does not use any asset-liability matching strategies involving annuities or other techniques.

The Plan is funded by contributions from the Group with reference to an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the Plan was as at 31 December 2016 and prepared by qualified staff of Towers Watson, who is a member of Society of Actuaries and a member of Institute of Actuaries of Korea, using the projected unit credit method. The actuarial valuations as at 31 December 2016 indicate that the Group's obligations under the Plan are 97% (2015: 94%) covered by the Plan assets held by the trustee as at the respective reporting date.

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The amounts recognised in the consolidated statements of financial position are as follows:

	2016	2015
	HK$'000	HK$'000
Present value of defined benefit obligations	20,167	19,029
Fair value of Plan assets	(19,654)	(17,927)
	513	1,102

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately HK$3,861,000 in contributions to the Plan in 2017.

The Group's contributions for the year ended 31 December 2016 amounted to approximately HK$5,335,000 (2015: HK$4,323,000).

The principal financial assumptions used in the actuarial valuation as at 31 December 2016 for the purpose of the accounting disclosures were as follows:

	2016	2015
Discount rate	2.50%	2.50%
Rate of salary increase	5.00%	5.00%

For purpose of determining the defined benefit obligations, the following participant data has been applied as at 31 December 2016:

	2016	2015
Number of staff	150	159
Total annual plan salary	HK$47,697,000	HK$48,915,000
Average annual plan salary	HK$318,000	HK$308,000
Average age (count weighted)	37.48 years	36.98 years
Average credited services (count weighted)	3.52 years	3.14 years
Expected future working lifetime	4.26 years	4.73 years

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in the consolidated statements of comprehensive income in respect of the Plan are as follows:

	2016 HK$'000	2015 HK$'000
Current service costs	**3,882**	2,954
Administration costs	**114**	107
Interest on assets	**(531)**	(483)
Interest costs	**428**	407
Settlements	**(459)**	–
Total amount recognised in profit or loss (note 11)	**3,434**	2,985
Actuarial losses (net of tax) recognised in other comprehensive income	**1,057**	1,350
Total defined benefit costs	**4,491**	4,335

The current service costs, administration costs and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statements of comprehensive income:

	2016 HK$'000	2015 HK$'000
Cost of sales	**2,375**	1,502
Selling and administrative expenses	**1,059**	1,483
	3,434	2,985

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Movements in the present value of the defined benefit obligations are as follows:

	2016 HK$'000	2015 HK$'000
Balance as at 1 January	**19,029**	16,576
Pension costs charged to profit or loss:		
Service costs	**3,882**	2,954
Net interest	**428**	407
Sub-total	**4,310**	3,361
Benefits paid	**(1,504)**	(1,197)
Transfer-in	**–**	330
Actuarial changes arising from changes in demographic assumption	**–**	(305)
Actuarial changes arising from changes in financial assumptions	**86**	257
Actuarial changes arising from experience adjustments	**1,108**	1,362
Settlement gain	**(2,311)**	–
Exchange realignment	**(551)**	(1,355)
Balance as at 31 December	**20,167**	19,029

The weighted average duration of the defined benefit obligations is 4.99 years (2015: 5.38 years).

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Changes in the fair values of the Plan assets are as follows:

	2016 HK$'000	2015 HK$'000
Balance as at 1 January	**17,927**	15,402
Pension costs charged to profit or loss:		
Administrative costs	**–**	(107)
Net interest	**417**	483
Sub-total	**417**	376
Benefits paid	**(1,465)**	(1,197)
Transfer-in	**–**	330
Actuarial changes arising from changes in financial assumptions	**(161)**	(36)
Contributions from employer	**5,335**	4,323
Settlement	**(1,852)**	–
Exchange realignment	**(547)**	(1,271)
Balance as at 31 December	**19,654**	17,927

The assets of the Plan are as follows:

	2016 HK$'000	2015 HK$'000
Term deposit	**19,654**	12,350
Government bonds	**–**	2,885
Cash and cash equivalents	**–**	2,692
	19,654	17,927

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2016 are set out as follows:

	Percentage change	2016 HK$'000	2015 HK$'000
Discount rate	+1%	**(1,010)**	(1,029)
	-1%	**1,035**	1,054
Rate of salary increase	+1%	**1,107**	1,116
	-1%	**(1,086)**	(1,094)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

28. SHARE CAPITAL

	Notes	Number '000	2016 HK$'000
Authorised:			
Initial authorised share capital upon incorporation	(b)	38,000	380
Increase in authorised share capital upon capitalisation	(d)	4,962,000	49,620
		5,000,000	50,000

		Number '000	2016 HK$'000
At 1 January 2016	(a)	–	3,684
Issue of one ordinary share upon incorporation and for Reorganisation	(b)	–	–
Effects of Reorganisation	(c)	1	(3,684)
Issue of ordinary shares upon capitalisation	(e)	299,999	3,000
Issue of ordinary shares upon placing of shares	(f)	100,000	1,000
At 31 December 2016		400,000	4,000

(a) The issued capital of the Group as at 1 January 2016 represented the aggregate amount of the share capital of Global Telecom and Future Data Limited ("Future Data") as the Company had not been incorporated and the Reorganisation was not completed.

The following changes in the share capital of the Company took place during the period from 4 January 2016 (date of incorporation) to 31 December 2016:

(b) The Company was incorporated on 4 January 2016 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil-paid ordinary share was allotted and, issued to an initial subscriber, which was then transferred to LiquidTech on the same date at nil consideration.

(c) As part of the Reorganisation, AMS transferred the entire issued share capital of Global Telecom to SuperChips at the consideration of HK$75.6 million, which was satisfied by (i) the Company allotting and issuing 999 ordinary shares to LiquidTech credited as fully paid; and (ii) the crediting of the 1 nil-paid ordinary share, which was registered in the name of LiquidTech, as fully paid.

28. SHARE CAPITAL (CONTINUED)

(d) Pursuant to the written resolutions of the shareholders dated 21 June 2016, the Company increased its authorised share capital from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 ordinary shares.

(e) Pursuant to written resolutions passed on 5 July 2016, the directors were authorised to capitalise HK$2,999,990 from the amount to be standing to the credit of the share premium account of the Company upon the placing of ordinary shares and applied such amount to pay up in full at par of 299,999,000 ordinary shares.

(f) On 8 July 2016, 100,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.58 by way of placing. On the same date, the Company's ordinary shares were listed on the Stock Exchange. The proceeds of HK$1,000,000 representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$57,000,000, before issuing expenses of approximately HK$7,802,000, were credited to share premium account (note 31).

29. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the Company on 21 June 2016.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 21 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

29. SHARE OPTION SCHEME (CONTINUED)

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

30. STATMENT OF FINANCIAL POSITION OF HOLDING COMPANY

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		57,639	–
CURRENT ASSETS			
Deposit		1,943	–
Amount due from a subsidiary		4,253	–
Cash and cash equivalent		34,051	–
		40,247	–
CURRENT LIABILITIES			
Accruals		398	–
Amount due to a subsidiary		2,950	–
		3,348	–
Net Current Assets		36,899	–
NET ASSETS		94,538	–
CAPITAL AND RESERVES			
Share capital	28	4,000	–
Reserves	31	90,538	–
TOTAL EQUITY		94,538	–

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

31. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(b) Capital reserve represents (i) the difference between the nominal value of the share capital of the sudsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation and (ii) the effect of capitalisation of loan from AMS of approximately HK$10,171,000.

(c) Investment revaluation reserve is related to net change in fair value of available-for-sale financial assets.

(d) Pursuant to the Special Tax Treatment Control Law in Korea, Global Telecom is allowed to appropriate retained earnings as a reserve for research and manpower development. This reserve is not available for the payment of dividends but to be used for specified purposes or reversed back to retained earnings.

(e) The foreign exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations from KRW to the presentation currency, HK$.

(f) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilised for cash dividend but may only be used to offset a deficit, if any, or be transferred to capital.

31. RESERVES (CONTINUED)

Details of the movements on the Company's reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 January 2016	-	-	-	-
Issue of ordinary shares by the Company pursuant to the Reorganisation (note 28(c))	-	57,639	-	57,639
Issue of ordinary shares upon capitalisation (note 28(e))	(3,000)	-	-	(3,000)
Issue of ordinary shares upon placing of shares (note 28(f))	57,000	-	-	57,000
Shares issue expenses (note 28(f))	(7,802)	-	-	(7,802)
Loss for the year	-	-	(13,299)	(13,299)
At 31 December 2016	46,198	57,639	(13,299)	90,538

The contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation.

32. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	% of ownership interest 2016	2015	Principal activities
SuperChips	British Virgin Islands	US$1	**Directly 100%**	Directly 100%	Investment holding
Global Telecom	Republic of Korea	100,000 shares of KRW5,000 each	**Indirectly 100%**	Indirectly 100%	Provision of system integration and maintenance service
Future Data	Hong Kong	HK$10,001	**Indirectly 100%**	Indirectly 100%	Cost centre of listing expenses

33. RELATED PARTY TRANSACTIONS

(a) Apart from the loan to AMS as disclosed in note 21, during the year, the Group entered into the following transactions with related parties.

Related party identity and relationship	Type of transaction	2016 HK$'000	2015 HK$'000
Mr. Lee Seung Han, Director	Interest income earned from advance made	–	62
AMS, Ultimate holding company	Interest income earned from advance made	**56**	31

The interest income earned from AMS in 2016 was in respect of advance made after Listing Date.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management for the year are set out in note 15.

(c) Personal Guarantees

As at 31 December 2015, Mr. Suh Seung Hyun provided personal guarantees in support of banking facilities as detailed in note 25(d)(ii) and the guarantee facilities provided by KSFC as detailed in note 17(a) in the amount of approximately HK$12,044,000 and HK$138,308,000 respectively at no consideration. During the year ended 31 December 2016, all such personal guarantees to KSFC had been released and are replaced by a pledge of Global Telecom's fixed bank deposit of KRW500 million (equivalent to approximately HK$3.2 million) with KSFC as at 31 December 2016.

34. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**3,855**	3,376
In the second to fifth year, inclusive	**7,335**	10,379
	11,190	13,755

The Group leases a number of premises under operating leases. The leases run for an initial period of one to five (2015: five) years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

35. MAJOR NON-CASH TRANSACTION

During the year, there was an increase in the amount due to AMS of approximately HK$3,830,000. As part of the Reorganisation as mentioned in note 31 (b), the total outstanding balance of the amount due to AMS was capitalised.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing. The Group reviews the recoverable amount of each individual debtor at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policy has been followed by the Group during the year and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, bank borrowings and its obligations under finance leases, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group for the year and are considered by the directors to have been effective in managing liquidity risks.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective reporting date) and the earliest date the Group can be required to pay.

2016

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Non-derivatives:			
Trade and other payables	88,779	88,779	88,779
Bank borrowings	16,266	16,365	16,365
Obligations under finance leases	31	32	32
	105,076	105,176	105,176

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

2015

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Non-derivatives:				
Trade and other payables	126,062	126,062	126,062	–
Amount due to ultimate holding company	6,341	6,341	6,341	–
Bank borrowings	11,887	11,911	11,911	–
Obligations under finance leases	109	114	81	33
	144,399	144,428	144,395	33

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 25. The Group currently does not have an interest rate hedging policy.

In respect of cash flow interest rate risk, the following table illustrates the sensitivity of the Group's profit for the year, and other components of equity at the dates indicated due to a possible change in interest rates on its floating rate bank deposits and bank borrowings with all other variables held constant at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points		
+0.5%	**(419)**	(208)
-0.5%	**419**	208

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

The above sensitivity analysis is prepared based on the assumption that the bank deposits and bank borrowings as at reporting dates existed throughout the whole financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve months.

(d) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk principally arise from Global Telecom's overseas purchases and its dividend payable which are denominated in US$. The functional currency of Global Telecom is KRW.

To mitigate the Group's financial loss from exposure to unfavourable foreign exchange rate movement in KRW and US$, the Group added on a margin in the costing of the relevant part of the system integration projects which required purchases of hardware and software components to be settled in US$. The margin was supposed to be a cushion to safeguard against any unfavourable foreign exchange rate movement in KRW and US$ between the costing date and the relevant settlement date. In view of the limited size of each US$ denominated purchase, it is considered that it is not justifiable on a cost and benefit analysis to enter into foreign exchange hedging transactions for such purchases.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure

Global Telecom's financial assets and liabilities denominated in US$, translated into HK$ at the closing rates, are as follows:

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	1,173	3,823
Trade payables	(3,954)	(2,116)
Dividend payable	–	(5,325)
Bank borrowings	(16,266)	(11,887)
Gross exposure from recognised financial assets and liabilities	(19,047)	(15,505)

The following table illustrates the sensitivity of the Group's profit for the year and equity in response to a 5% depreciation in Global Telecom's functional currency against US$. The 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2016 HK$'000	2015 HK$'000
Changes in exchange rate:		
KRW depreciates by 5% against US$	(743)	(605)
KRW appreciates by 5% against US$	743	605

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure (Continued)

The sensitivity analysis for the year ended 31 December 2015 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(e) Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	2016 HK$'000	2015 HK$'000
Financial assets		
Non-current		
Available-for-sale financial assets		
– Unlisted equity securities	**2,574**	2,008
– Insurance policies	**1,455**	3,906
Current		
Loans and receivables		
– Trade and other receivables	**86,255**	97,318
– Loan to ultimate holding company	**1,765**	–
– Pledged bank deposit	**3,214**	–
– Fixed bank deposits	**5,850**	4,815
– Cash and cash equivalents	**77,970**	71,243
	179,083	179,290
Financial liabilities		
– Trade and other payables	**88,779**	126,062
– Amount due to ultimate holding company	**–**	6,341
– Bank borrowings	**16,266**	11,887
– Obligations under finance leases	**31**	109
	105,076	144,399

37. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments as at the reporting date.

Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.

  Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

The following table presents the Group's assets that are measured at fair value:

2016

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets (Non-current)				
– Unlisted equity security	–	2,545	–	2,545
– Insurance policies	–	1,455	–	1,455
	–	4,000	–	4,000

37. FAIR VALUE MEASUREMENTS (CONTINUED)

2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets (Non-current)				
– Insurance policies	–	3,906	–	3,906

The fair value of the unlisted equity security representing investment in KSFC is determined by the redemption price provided by KSFC as at the reporting date. The fair values of insurance policies are determined based on the account values provided by the insurance companies as at the reporting date.

At 31 December 2016, the Group's unlisted equity security and insurance policies are grouped under Level 2 (2015: Level 2) category.

There were no transfers between levels during the year.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes amount due to ultimate holding company, bank borrowings and obligations under finance leases disclosed in notes 24, 25 and 26 respectively and equity of the Group, comprising share capital and reserves. The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

38. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratios which are determined as total borrowings (i.e. amount due to ultimate holding company, bank borrowings and obligations under finance leases) to total equity of the Group as at 31 December 2016 are as follows:

	2016	2015
	HK$'000	HK$'000
Amount due to ultimate holding company, bank borrowings and obligations under finance leases	**16,297**	18,337
Total equity	**125,408**	64,353
Gearing ratio	**13%**	28%

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the board of directors on 20 March 2017.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the three years ended 31 December 2016, as extracted from the audited consolidated financial statements in this annual report and the prospectus dated 29 June 2016 issued by the Company is set out below:

	Year ended 31 December		
	2016	2015	2014
	HK$'000	HK$'000	HK$'000
Results			
Revenue	**524,021**	515,704	441,805
Net profit for the year	**3,708**	8,131	10,775
Assets and liabilities			
Total assets	**235,402**	222,149	183,387
Total liabilities	**109,994**	157,796	120,703
Total equity	**125,408**	64,353	62,684