

2017 INTERIM REPORT

ARCHITECT OF FUTURE CITIES

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229



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

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

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

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

“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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Corporate Information

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

Independent Non-executive Directors

Mr. Wong Sik Kei
Mr. Sum Chun Ho
Mr. Yung Kai Tai

BOARD COMMITTEES

Audit Committee

Mr. Sum Chun Ho (*Chairman*)
Mr. Wong Sik Kei
Mr. Yung Kai Tai

Remuneration Committee

Mr. Wong Sik Kei (*Chairman*)
Mr. Phung Nhuong Giang
Mr. Yung Kai Tai

Nomination Committee

Mr. Yung Kai Tai (*Chairman*)
Mr. Phung Nhuong Giang
Mr. Wong Sik Kei

COMPLIANCE OFFICER

Mr. Lee Seung Han

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

14/F-15/F, Deokmyeong Building
Samseong-dong
625, Teheran-ro
Gangnam-gu
Seoul
Korea

COMPANY SECRETARY

Ms. Ng Pui Fan

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Ng Pui Fan

AUDITORS

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

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong law:

Michael Li & Co.
Solicitors, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
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As to Korean law:

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Attorneys-at-law, Korea
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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1002, 10/F
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Wan Chai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL BANK

Woori Bank
51, Sogong-ro
Jung-gu
Seoul, 04632
Korea

COMPANY WEBSITE ADDRESS

www.futuredatagroup.com

STOCK CODE

8229

Financial Highlights

For the six months ended 30 June 2017

- The unaudited revenue of the Group was HK\$196.8 million for the six months ended 30 June 2017, representing a decrease of approximately HK\$26.6 million, or 11.9%, as compared to the six months ended 30 June 2016.
- The unaudited profit after tax was HK\$2.0 million for the six months ended 30 June 2017, representing an increase of approximately HK\$7.3 million or 138.3%, and a reversal to profitability from the loss after tax of approximately HK\$5.3 million for the six months ended 30 June 2016.
- Unaudited basic earnings per share was 0.51 HK cents for the six months ended 30 June 2017 compared to basic loss per share of 1.76 HK cents for the six months ended 30 June 2016.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Interim Results

The board of directors (the "Board") of the Company presents the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2017, together with comparative figures as follows.

Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2017

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|--|-------|-------------------------------|-------------------------|-----------------------------|-------------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Revenue | 3 | 106,002 | 133,921 | 196,844 | 223,424 |
| Cost of sales | | (88,227) | (116,409) | (165,880) | (189,009) |
| Gross profit | | 17,775 | 17,512 | 30,964 | 34,415 |
| Other income | | 34 | 312 | 1,725 | 925 |
| Selling and administrative expenses | | (14,677) | (15,725) | (28,931) | (29,595) |
| Listing expenses | | – | (4,749) | – | (9,649) |
| Finance costs | | (174) | (57) | (262) | (125) |
| Profit/(Loss) before income tax | 4 | 2,958 | (2,707) | 3,496 | (4,029) |
| Income tax expense | 5 | (1,282) | (534) | (1,472) | (1,256) |
| Profit/(Loss) for the period | | 1,676 | (3,241) | 2,024 | (5,285) |
| Other comprehensive income for the period | | | | | |
| <i>Items that will be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on translation of foreign operations | | (2,152) | (833) | 650 | 1,356 |
| Total other comprehensive income | | (2,152) | (833) | 650 | 1,356 |
| Total comprehensive income for the period | | (476) | (4,074) | 2,674 | (3,929) |
| Earnings/(Loss) per share | | | | | |
| Basic and Diluted (HK cents) | 6 | 0.42 | (1.08) | 0.51 | (1.76) |

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

| | Notes | As at 30 June 2017 HK\$'000 (unaudited) | As at 31 December 2016 HK\$'000 (audited) |
|--|-------|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 12,647 | 9,333 |
| Available-for-sale financial assets | 8 | 4,149 | 4,029 |
| Guarantee Deposits | | 4,740 | 4,484 |
| Deferred tax assets | | 3,429 | 3,521 |
| | | 24,965 | 21,367 |
| Current assets | | | |
| Inventories | 9 | 13,492 | 7,038 |
| Trade and other receivables | 10 | 78,587 | 86,255 |
| Loan to ultimate holding company | | – | 1,765 |
| Amounts due from contract customers | 11 | 11,465 | 27,677 |
| Prepayments | | 5,898 | 4,266 |
| Pledged fixed bank deposits | | 3,400 | 3,214 |
| Fixed bank deposits | | 6,003 | 5,850 |
| Cash and cash equivalents | | 85,820 | 77,970 |
| | | 204,665 | 214,035 |
| Current liabilities | | | |
| Trade and other payables | 12 | 76,772 | 90,468 |
| Amounts due to contract customers | 11 | 1,820 | 1,140 |
| Bank borrowings | 13 | 22,172 | 16,266 |
| Obligations under finance leases | | 15 | 31 |
| Tax payable | | 650 | 1,576 |
| | | 101,429 | 109,481 |
| Net current assets | | 103,236 | 104,554 |
| Total assets less current liabilities | | 128,201 | 125,921 |
| Non-current liabilities | | | |
| Defined benefit obligations | | 119 | 513 |
| | | 119 | 513 |
| Net assets | | 128,082 | 125,408 |
| EQUITY | | | |
| Share capital | | 4,000 | 4,000 |
| Reserves | | 124,082 | 121,408 |
| Total equity | | 128,082 | 125,408 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

| | Share capital HK\$'000 | Share premium* HK\$'000 | Capital reserve* HK\$'000 | Investment revaluation reserve* HK\$'000 | Research and Development reserve* HK\$'000 | Foreign Exchange reserve* HK\$'000 | Legal reserve* HK\$'000 | Retained earnings* HK\$'000 | Total equity HK\$'000 |
|---|------------------------------|-------------------------------|---------------------------------|---|---|---|-------------------------------|-----------------------------------|-----------------------------|
| At 1 January 2017 (audited) | 4,000 | 46,198 | 13,855 | 501 | 3,674 | (9,804) | 1,530 | 65,454 | 125,408 |
| Profit for the period | - | - | - | - | - | - | - | 2,024 | 2,024 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | 650 | - | - | 650 |
| At 30 June 2017 (unaudited) | 4,000 | 46,198 | 13,855 | 501 | 3,674 | (9,154) | 1,530 | 67,478 | 128,082 |
| At 1 January 2016 (audited) | 3,684 | - | - | - | 3,674 | (7,338) | 1,530 | 62,803 | 64,353 |
| Loss for the period | - | - | - | - | - | - | - | (5,285) | (5,285) |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | 1,356 | - | - | 1,356 |
| Issue of shares by subsidiaries | 11,321 | - | - | - | - | - | - | - | 11,321 |
| Effects of group reorganisation | (15,005) | - | 15,005 | - | - | - | - | - | - |
| At 30 June 2016 (unaudited) | - | - | 15,005 | - | 3,674 | (5,982) | 1,530 | 57,518 | 71,745 |

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net cash generated from/(used in) operating activities | 8,412 | (31,581) |
| Net cash used in investing activities | (4,530) | (4,846) |
| Net cash generated from financing activities | 1,370 | 527 |
| Net increase/(decrease) in cash and cash equivalents | 5,252 | (35,900) |
| Cash and cash equivalents at beginning of the period | 77,970 | 71,243 |
| Effect of exchange rate changes on cash and cash equivalents | 2,598 | 451 |
| Cash and cash equivalents at the end of the period | 85,820 | 35,794 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 85,820 | 35,794 |

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 principle place of business in Hong Kong is located at Unit 1002, 10/F, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong.

The head office and principal place of the Group's business in Korea 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.

2. BASIS OF PREPARATION, GROUP REORGANISATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirement of Chapter 18 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of Stock Exchange.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those adopted in the annual financial statements for the year ended 31 December 2016. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

2. BASIS OF PREPARATION, GROUP REORGANISATION AND ACCOUNTING POLICIES (CONTINUED)

On 1 January 2017, the Group has adopted all the new and revised HKFRS, amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRS, amendments and interpretations does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior period.

3. REVENUE AND SEGMENT INFORMATION

The Group's business is organised into two segments:

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

Segment revenue and profit contribution are:

| | Three months ended 30 June | | | | | |
|-------------------------------------|----------------------------|------------------------|-------------|-----------------------|------------------------|-------------|
| | 2017 | | | 2016 | | |
| | System integration | Maintenance service | Total | System integration | Maintenance service | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Total segment revenue | 85,518 | 20,484 | 106,002 | 111,440 | 22,481 | 133,921 |
| Gross profit/segment results | 12,803 | 4,972 | 17,775 | 10,207 | 7,305 | 17,512 |
| Other income | | | 34 | | | 312 |
| Selling and administrative expenses | | | (14,677) | | | (15,725) |
| Listing expenses | | | – | | | (4,749) |
| Finance costs | | | (174) | | | (57) |
| Profit/(Loss) before income tax | | | 2,958 | | | (2,707) |
| Income tax expense | | | (1,282) | | | (534) |
| Profit/(Loss) for the period | | | 1,676 | | | (3,241) |

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

| | Six months ended 30 June | | | | | |
|--|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2017 | | | 2016 | | |
| | System integration | Maintenance service | Total | System integration | Maintenance service | Total |
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Total segment revenue | 158,503 | 38,341 | 196,844 | 183,286 | 40,138 | 223,424 |
| Gross profit/ segment results | 22,877 | 8,087 | 30,964 | 20,247 | 14,168 | 34,415 |
| Other income | | | 1,725 | | | 925 |
| Selling and administrative expenses | | | (28,931) | | | (29,595) |
| Listing expenses | | | – | | | (9,649) |
| Finance costs | | | (262) | | | (125) |
| Profit/(Loss) before income tax | | | 3,496 | | | (4,029) |
| Income tax expense | | | (1,472) | | | (1,256) |
| Profit/(Loss) for the period | | | 2,024 | | | (5,285) |

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---|-------------------------------|-------------|-----------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Costs of inventories recognised as expenses | 68,045 | 84,742 | 137,605 | 131,988 |
| Employee costs | 15,264 | 17,533 | 29,386 | 33,755 |
| Subcontracting costs | 6,375 | 10,764 | 11,130 | 19,782 |
| Listing expenses | – | 4,749 | – | 9,649 |
| Depreciation of property, plant and equipment | 1,236 | 1,020 | 2,183 | 2,009 |
| Research and development costs | 718 | 566 | 1,361 | 1,125 |
| Minimum lease payments in respect of rented premises | 613 | 409 | 1,044 | 805 |

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5. INCOME TAX EXPENSE

| | Three months ended | | Six months ended | |
|--------------|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Current tax | 1,113 | 296 | 1,165 | 1,306 |
| Deferred Tax | 169 | 238 | 307 | (50) |
| Total | 1,282 | 534 | 1,472 | 1,256 |

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 11.0% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during each of the periods presented. No Hong Kong Profits Tax has been provided as Future Data Limited (“Future Data”) which was incorporated in October 2015 did not have assessable profits which are subject to Hong Kong Profits Tax during the six months ended 30 June 2017.

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and on the basis that 400,000,000 ordinary shares had been in issue throughout the period from 1 January to 30 June 2017.

The calculation of basic loss per share is based on the loss attributable to owners of the Company and on the basis that 300,000,000 ordinary shares had been in issue throughout the period from 1 January to 30 June 2016.

7. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2017 (corresponding period in 2016: nil).

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---|--|--|
| Unlisted equity securities, at cost: | | |
| Korea Software Financial Cooperative ("KSFC") | 2,698 | 2,545 |
| Korea Broadcasting & Communication Financial Cooperative ("KBCFC") | 31 | 29 |
| | 2,729 | 2,574 |
| Investment in insurance policies | 1,420 | 1,455 |
| | 4,149 | 4,029 |

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

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

9. INVENTORIES

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|-----------------------|--|--|
| Hardware and software | 13,492 | 7,038 |

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

10. TRADE AND OTHER RECEIVABLES

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---|--|--|
| Trade debtors | 74,016 | 84,239 |
| Less: Provision for impairment of trade receivables | (8,228) | (8,115) |
| Trade receivables, net (note (a)) | 65,788 | 76,124 |
| Retention money receivable | 12,055 | 7,214 |
| Short-term loans to employees | 582 | 565 |
| Accrued interest | 67 | 59 |
| Rental and other deposits | 95 | 2,235 |
| Other receivables | – | 58 |
| | 78,587 | 86,255 |

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|----------------|--|--|
| 0 – 90 days | 49,114 | 63,185 |
| 91 – 180 days | 5,134 | 6,265 |
| 181 – 365 days | 9,421 | 4,243 |
| 1 – 2 years | 1,961 | 2,103 |
| over 2 years | 158 | 328 |
| | 65,788 | 76,124 |

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| Carrying amount at 1 January 2017 / 1 January 2016 | 8,115 | 6,611 |
| Impairment losses recognised | – | 1,741 |
| Reversal of allowance for impairment | (778) | – |
| Exchange realignment | 891 | (237) |
| Carrying amount at 30 June 2017 / 31 December 2016 | 8,228 | 8,115 |

11. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| Contracts in progress at the end of each reporting period: | | |
| Contract costs incurred plus recognised profits less recognised losses | 209,487 | 163,512 |
| Less: Progress billings | (199,842) | (136,975) |
| | 9,645 | 26,537 |
| Analysed for reporting purposes as: | | |
| Amounts due from contract customers | 11,465 | 27,677 |
| Amounts due to contract customers | (1,820) | (1,140) |
| | 9,645 | 26,537 |

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

12. TRADE AND OTHER PAYABLES

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|-----------------------------|--|--|
| Trade payables (note (a)) | 63,101 | 81,338 |
| Accruals and other payables | 12,966 | 7,441 |
| Advances receipts | 32 | 13 |
| Value-added tax payables | 673 | 1,676 |
| | 76,772 | 90,468 |

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|----------------|--|--|
| 0 – 30 days | 28,995 | 54,476 |
| 31 – 60 days | 12,002 | 18,195 |
| 61 – 90 days | 2,549 | 4,914 |
| 91 – 180 days | 10,309 | 2,792 |
| 181 – 365 days | 8,611 | 359 |
| over 1 year | 635 | 602 |
| | 63,101 | 81,338 |

13. BANK BORROWINGS

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| Unsecured: | | |
| – Bank loans | 18,121 | 10,959 |
| – Bills payable | 1,309 | 3,964 |
| | 19,430 | 14,923 |
| Guaranteed: | | |
| – Bills payable | 2,742 | 1,343 |
| | 2,742 | 1,343 |
| Total borrowings due for repayment within one year | 22,172 | 16,266 |

Certain banking borrowings are guaranteed by Korea Credit Guarantee Fund ("KCGF") which is a public financial institution independent of the Group.

As at 30 June 2017, KCGF provided foreign and local currency guarantees to certain banks in the amount of US\$500,000 and KRW488,000,000 (2016: US\$500,000 and KRW488,000,000) for import financing facilities and bank loans provided to Global Telecom.

14. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

| | Three months ended | | Six months ended | |
|---|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Remuneration of directors and other members of key management | 2,131 | 1,785 | 4,085 | 3,486 |

Management Discussion and Analysis

Financial Review

For the six months ended 30 June 2017, the Group recorded a revenue of approximately HK\$196.8 million, which represented a decrease of HK\$26.6 million or 11.9% compared to the same period last year. The decrease in revenue was due to the lower number of projects completed for the six months ending 30 June 2017 (284 projects), compared to the projects completed for the six months ending 30 June 2016 (305 projects). The decrease in the number of projects completed in the period was mainly caused by the tough business environment triggered by the political uncertainty related to the Korea's presidential impeachment scandal and follow-on presidential election, as well as our management decision to cut cost by bringing down the number of staff to 156 by the end of June 2017, from 183 by the end of June 2016.

Having said that, the Group recorded top contributors to the interim revenue from repeat customers, such as Incheon International Airport Corporation, and Seoul MRT Corporation in the public sector; LG CNS and SK Broadband in the private sector; and Naver (Korea's largest search company) and Kakao (Korea's largest messaging company) in the internet sector. This indicates that our customer base is strong and the Group is ready to grow when the political situation and market confidence is stabilized.

The Group's gross profit decreased by approximately 10.0%, from HK\$34.4 million for the six months ended 30 June 2016 to HK\$31.0 million for the six months ended 30 June 2017. The decrease of gross profit margin is mainly due to the decline in total revenue as described above.

Selling and administrative expenses was approximately HK\$28.9 million for the six months ended 30 June 2017, (30 June 2016: approximately HK\$29.6 million) representing a decrease of HK\$0.7 million or 2.2% mainly due to the decrease in staff cost from 183 employees by 30 June 2016 to 156 employees by 30 June 2017, offset by an increase of HK\$2.4 million which included the professional fee to maintain the listing status of the company and the hiring of some senior management and employees in Hong Kong.

Financial Position

The Group recorded non-current assets of HK\$25.0 million as at 30 June 2017, which represented an increase of HK\$3.6 million relative to that recorded as at 31 December 2016. This was mainly due to an increase of HK\$3.3 million in property, plant and equipment for new office in Naju, Korea and Wanchai, Hong Kong.

The Group's current assets were HK\$204.7 million as at 30 June 2017, which represented a decrease of approximately HK\$9.3 million relative to that recorded as at 31 December 2016. This was mainly due to lower trade and other receivables, lower amounts due from contract customers and settlement of the loan to ultimate holding company amounting to a total of approximately HK\$25.6 million, increased fixed bank deposits and cash and cash equivalents of approximately HK\$8.2 million; and offset by the increase in inventories and prepayment of HK\$8.1 million.

In line with the reduction of current assets, our current liabilities were also reduced to HK\$101.4 million as at 30 June 2017, from HK\$109.5 million as at 31 December 2016. This reduction of approximately HK\$8.1

million was a result of lower amounts due to our suppliers of HK\$13.3 million, and offset by the increase in bank borrowings of HK\$5.9 million.

Non-current liabilities were not significant as it only includes our Korean employee's long term benefits (also known as employee's superannuation). Our Group has yet to incur any employee's superannuation related to Hong Kong subsidiary in this reporting period.

As a result, our Group recorded an increase in total equity to approximately HK\$128.1 million as at 30 June 2017, from approximately HK\$125.4 million as at 31 December 2016.

Liquidity and Financial Resources

As at 30 June 2017, the Group's net current assets were HK\$103.2 million showing a strong liquidity.

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 30 June 2017, the gearing ratio was 17.3% (as at 31 December 2016: 13.0%). The increase was mainly due to additional unsecured bank borrowings of approximately HK\$5.9 million. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 2.0 times (as at 31 December 2016: 2.0 times), reflecting the adequacy of financial resources.

As at 30 June 2017, the Group recorded cash and cash equivalents of approximately HK\$85.8 million (as at 31 December 2016: approximately HK\$78.0 million), which included approximately KRW8,719 million, HK\$24.3 million and US\$261,217.

As at 30 June 2017, the Group had variable rate bank borrowings of approximately US\$2.9 million, which was equivalent to approximately HK\$22.2 million (as at 31 December 2016: approximately HK\$16.3 million). Certain banking borrowings are guaranteed by Korea Credit Guarantee Fund ("KCGF") which is a public financial institution independent of the Group.

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 in US\$). In preparing the costing of our system integration project in which procurement of components in US\$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US\$ between the costing date and the relevant settlement date. In view of the relatively limited size of each individual US\$ denominated purchase transaction, we do not find beneficial and 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 own discretion.

Charges on Group's Assets

As at 30 June 2017, fixed deposits amounting to HK\$3.4 million were pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

Management Discussion and Analysis

Significant Investments

The Group did not have any significant investments for the six months ended 30 June 2017.

The carrying amount of the Group's unlisted equity securities as at 30 June 2017 accounted for approximately 1.19% of the Group's total assets and is not significant. The unlisted equity securities mainly represent the investment in KSFC (a cooperative established pursuant to the Software Industry Promotion Act with the purpose of promoting the development of the IT industry in Korea) for its membership. 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.

Business Review

Set out below are the details of the movement of the number of system integration projects and segmentation information up to 30 June 2017.

| | |
|--|-------|
| Number of projects at 1 January 2017 | 32 |
| Number of new projects awarded | 307 |
| Number of projects completed during period | (284) |
| Number of projects as at 30 June 2017 | 55 |

Gross profit of system integration segment increased by approximately 13.0% from HK\$20.2 million for the six months ended 30 June 2016 to HK\$22.9 million for the six months ended 30 June 2017. Such increase was mainly due to the decrease in engineering cost. Gross profit of maintenance service decreased by approximately 42.9% from HK\$14.2 million for the six months ended 30 June 2016 to HK\$8.1 million for the six months ended 30 June 2017.

Material Acquisitions and Disposals

For the six months ended 30 June 2017, the Group had not made any material acquisition or disposal.

Future Plan for Material Investments and Capital Assets

The Group did not have any plan for material investments or capital assets as at 30 June 2017.

Contingent Liabilities

As at 30 June 2017 and 30 June 2016, the Group did not have any significant contingent liabilities.

Prospects

The presidential election held in May 2017 has contributed to the stabilization of the political situation and since then, market confidence is recovering slowly in Korea. Despite the recovering market condition, the Group believes that the business environment in Korea will remain tough in the near future. The Group is still exploring opportunities to develop its business outside Korea in order to strengthen its revenue base and maximise shareholder's return.

Employees and Remuneration Policy

As at 30 June 2017, the Group had an aggregate of 156 (30 June 2016: 183) employees. Such decrease was due to the reduction in contracted employees for system integration services.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total staff costs, including Directors' emoluments, amounted to approximately HK\$29.4 million for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately HK\$33.8 million).

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons

who contributed to the success of the Group's operation. Up to 30 June 2017, no share option had been granted.

Use of Proceeds from the Placing

Due to the tough business environment triggered by Korea's political uncertainty as mentioned in the financial review section, the Group did not fully utilize the net proceeds from the placing as planned up to the six months ended 30 June 2017, regarding (i) setting up an office in Busan city; (ii) acquiring maintenance equipment to support our maintenance service in Busan city; and (iii) acquiring testing equipment for performance check of the integrated systems. Unutilized net proceeds are placed with an authorised financial institution in Hong Kong.

The Group is in constant review of the situation, in the event that the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may change or modify plans so long as the Directors consider it to be in the best interest of the Company and the shareholders taken as a whole.

The net proceeds from the placing from Listing Date to 30 June 2017 were used as follows:

| Use of proceeds | Planned use | Actual use |
|---|---|---|
| | of net proceeds up to 30 June 2017 (HK\$ million) | of net proceeds up to 30 June 2017 (HK\$ million) |
| 1) Setting up an office in Busan city | 3.4 | 0.0 |
| 2) Acquiring maintenance equipment to support our maintenance service in Busan city | 0.6 | 0.0 |
| 3) Acquiring testing equipment for performance check of the integrated systems | 1.0 | 0.0 |
| 4) Setting up office in Hong Kong | 2.6 | 0.8 |
| 5) General Working Capital | 0.9 | 0.9 |
| Total: | 8.5 | 1.7 |

Corporate Governance and Other Information

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

As at 30 June 2017, 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% |

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 Hyeoung Jin ("Mr. Park"), Mr. Lee Sung Gue, Mr. Lee Je Eun and Ms. Marilyn Tang as to 26.14%, 25.34%, 14.71%, 14.03%, 14.03%, 3.40% and 2.35% respectively.
- (2) On 21 June 2016, four of the ultimate controlling shareholders of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (3) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Mr. Phung is deemed to be interested in all the Shares in which Ms. Marilyn Tang is interested under Part XV of the SFO.
- (4) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 June 2017 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 June 2017, 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 30 June 2017, so far as known to the Directors, 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% |
| Mr. Park ^(Notes 1, 2 and 3) | Interest held jointly with other persons/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 of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (4) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Ms. Marilyn Tang is deemed to be interested in all the Shares in which Mr. Phung is interested under Part XV of the SFO.
- (5) Ms. Lee Kim Sinae is the spouse of Mr. Lee. Ms. Lee Kim Sinae is deemed to be interested in all the Shares in which Mr. Lee is interested under Part XV of the SFO.
- (6) Ms. Suh Kim Seong Ock is the spouse of Mr. Suh. Ms. Suh Kim Seong Ock is deemed to be interested in all the Shares in which Mr. Suh is interested under Part XV of the SFO.
- (7) Ms. Shin Hee Kum is the spouse of Mr. Park. Ms. Shin Hee Kum is deemed to be interested in all the Shares in which Mr. Park is interested under Part XV of the SFO.
- (8) Epro Capital is wholly-owned by Epro Group. Epro Group is deemed to be interested in the Shares in which Epro Capital is interested under Part XV of the SFO.
- (9) Epro Group is wholly-owned by Merry Silver Limited. Merry Silver Limited is deemed to be interested in the Shares in which Epro Group is interested under Part XV of the SFO.
- (10) Merry Silver Limited is owned as to 50% by Mr. Telly Wong and 50% by Mr. Ling. Each of Mr. Telly Wong and Mr. Ling is deemed to be interested in the Shares in which Merry Silver Limited is interested under Part XV of the SFO.
- (11) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 June 2017 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

SHARE OPTION SCHEME

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 during the six months ended 30 June 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the six months ended 30 June 2017, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

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

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

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the six months ended 30 June 2017.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

The Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares during the six months ended 30 June 2017.

INTERESTS OF THE COMPLIANCE ADVISER

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

CHANGE IN DIRECTORS

On 10 May 2017, Mr. Park Hyeoung Jin retired from office as executive director upon conclusion of the AGM. Mr. Park will continue to be the technical services director of Global Telecom Co., Ltd., subsidiary of the Company, to concentrate and devote more effort for the delivery of customer system integration projects and maintenance service to customers, which would be crucial and beneficial to the business growth of our Group.

On 15 June 2017, Mr. Ho Kam Shing, Peter has resigned as an independent non-executive Director and Mr. Yung Kai Tai has been appointed as an independent non-executive Director with effect from 15 June 2017. On the same day, Mr. Ho Kam Shing, Peter has been appointed as the strategic adviser to the Board and head of Hong Kong and overseas business operations.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive directors namely, Mr. Wong Sik Kei, Mr. Yung Kai Tai and Mr. Sum Chun Ho. Mr. Sum Chun Ho possesses the appropriate professional accounting qualifications and serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of our Group’s internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the unaudited interim results for the six months ended 30 June 2017.

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

Hong Kong, 8 August 2017