ANNUAL REPORT 2017

FUTURE DATA

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"), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the "Group"). 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.

CONTENTS

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
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625, Teheran-ro
Gangnam-gu
Seoul
Korea

COMPANY SECRETARY

Ms. Ng Pui Fan

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Ng Pui Fan

AUDITOR

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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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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KY1-1111
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
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Hong Kong

PRINCIPAL BANK

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Jung-gu
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Korea

COMPANY WEBSITE ADDRESS

www.futuredatagroup.com

STOCK CODE

8229

CHAIRMAN'S STATEMENT

In 2017, we are pleased that we can generate significant amount of positive cash flows from operating activities. The amount of net cash and cash equivalents of HK$141.1 million as at 31 December 2017 is the highest in our corporate history.

MR. SUH SEUNG HYUN
Chairman

Dear Shareholders,

This is my second report to you after the shares of the Company successfully listed on GEM of The Stock Exchange of Hong Kong Limited in 2016 (the "Listing"). The score card of my second report for the year ended 2017, shall read: another profitable year, generated significant amount of positive cash flows from operating activities and successful expansion of business into Hong Kong market.

I wish to report that for the year ended 31 December 2017, our Group has recorded a total revenue of approximately HK$506.5 million. Although this represents a small decrease of 3.3% as compared to approximately HK$524.0 million for the year ended 31 December 2016, I am pleased to report that our profit for the year has increased by 43.2% to HK$5.3 million for this second report as compared to the first report.

We have utilized proceeds from the listing exercise, to acquire software platforms amounting to approximately HK$11.9 million to place us in advantage position to address business requirements in the Hong Kong market. As a result, we have generated approximately HK$9.0 million of revenue in Hong Kong in 2017 and another HK$6.5 million in revenue as at the date of this report.

In addition, our Group generated positive cash flows from operating activities amounting to HK$68.1 million for the year of 2017. As a result, our net cash and cash equivalents soared to HK$141.1 million as at 31 December 2017. We have managed very well the key financial parameters that is to collect more monies from customers, control cost and stretch supplier payments, all of which contribute to achieve the amount of cash and cash equivalents stated above. Just for your information, this amount of net cash and cash equivalents is the highest in our corporate history.

Below are other notable highlights for 2017:

Contributions to the revenue of our financial year ended 2017 come from many large Korean customers, but I would like to share a few key ones including Incheon Airport Terminal 2, which contributed approximately HK$59.0 million to our recorded revenue in 2017. Another key customer was Military Financial Management Corps which contributed approximately HK$51.1 million in 2017. Other top 10 revenue contributors include public sector's Korean Environment Corporation, which is the agency responsible for environmental protection in Korea; Naver Business Platform Corporation, Korea's largest Internet search engine and SK Broadband Co., Ltd. which is Korea's leading internet service provider, from the private sector.

During the year, we have announced that the Military Finance Management Corps, being a direct unit under the Ministry of National Defense of the Republic of Korea, has selected the Company's subsidiary, Global Telecom Co., Ltd. ("Global Telecom"), as the main contractor to upgrade the air force command and control system in a contract valued at approximately HK$51.1 million. Since then, we have executed the contract successfully and collected all monies. Coupled with large contracts win at public sector such as Incheon Airport Terminal 2, and military air force contract places the Group in a better position to participate in other public sector projects in airports and military class air bases in the Asia-Pacific region, which would facilitate the growth of the Group's business and is thus in the interest of the Company and its shareholders as a whole.

CHAIRMAN'S STATEMENT

Follow-on from our indication to balance geographical risk from a single operation in Korea, the Group has started our operations in Hong Kong. Specifically, we have re-designated Mr. Ho Kam Shing Peter to head the Hong Kong operations from the position of independent non-executive Director. As a result, Hong Kong operations have contributed approximately HK$9.0 million of revenue in 2017. I am positive that this maiden revenue contribution from Hong Kong, our acquisition of software platforms and the experience of Mr Ho will steer Hong Kong operations into a high growth and high margin business in 2018.

In addition, given the political stability in the Korea market, the Group expects that government agencies and corporate enterprises will invest higher budget in 2018 as compared to 2017, and confidently resume some of the outstanding and postponed projects in 2017. Hence, the Group expects good results from the Korea operations in 2018 as well.

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.

In conclusion, I am pleased with the Group business development thus far, on behalf of the Board of Directors (the "Board"), I would like to express my gratitude to all management team, professional engineers and staff members for their continuously support and contribution to the Group during the year. We look forward to a profitable year in 2018.

Suh Seung Hyun
Chairman

19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Profit and loss

Revenue

For the year ended 31 December 2017, the Group recorded revenue of HK$506.5 million, which decreased by HK$17.5 million, or 3.3%, from HK$524.0 million reported for the year 2016. The decrease in the Group's revenue was primarily attributable to the decrease in revenue from Korea operations.

The decrease in revenue in Korea was due to political uncertainty, and our management decision to only take quality deals where we are confident to collect monies. This reflects in the increase of cash and cash equivalents of the Group as at 31 December 2017.

Revenue derived from system integration services segment was HK$416.9 million representing 82.3% of the total revenue, whereas revenue from maintenance services segment was HK$89.6 million or 17.7% of total revenue in 2017. Revenue contribution from Korea operations was HK$497.5 million representing 98.2% of the total Group's revenue, whereas Hong Kong operations contributed a maiden revenue of approximately HK$9.0 million or 1.8% of the total Group's revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by 14.3%, from HK$83.1 million for the year ended 31 December 2016 to HK$71.2 million for the year ended 31 December 2017. The decrease in the gross profit was attributable to lower revenue recorded in 2017 described above.

The Group's gross profit margin slightly decreased from 15.9% for the year ended 31 December 2016 to 14.1% for the year ended 31 December 2017. Such decrease was mainly due to lower gross profit margin from Korea operations of approximately 12.9% in 2017 when compared to 15.9% in 2016. Gross profit margin from Hong Kong operations of approximately 76.1% was high due to selling software licenses and provision of cyber security services, which typically has higher gross margin in the industry.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2017 were HK$68.0 million, (31 December 2016: HK$66.1 million) representing a slight increase of HK$1.9 million or 2.9%. The stable selling and administrative expenses were due to cost control of Korea operations offset by increase in selling and administrative expenses of Hong Kong operations due to our expansion into cyber security business area.

Profit for the year

As a result, the Group recorded increase in profit after tax by 42.2% to HK$5.3 million in 2017, as compared to HK$3.7 million for the year ended 31 December 2016. Such increase was primarily due to the contribution of exchange gain from other income of approximately HK$3.7 million in 2017 and better profit margin of Hong Kong operations in cyber security services.

This translates into Earnings per Share (Basic and Diluted) of HK cents 1.32 (Earnings per Share (Basic and Diluted) for 2016: HK cents 1.06).

Balance Sheet

Non-current assets

As at 31 December 2017, the Group recorded non-current assets of HK$32.9 million representing an increase of approximately HK$11.5 million or 53.8% relative to that as at 31 December 2016.

This is mainly due to acquisition of intangible assets of approximately HK$11.9 million in total, which is in line with the "change in use of proceeds" announcement made by the Group dated 4 September 2017. The intangible assets were for three distinct software platforms with cyber security, big data and internet of things ("IoT") features respectively.

The acquisition of software platforms has placed the Group in a prime position in cyber security business area, and already resulted in maiden revenue of approximately HK$9.0 million contribution from Hong Kong operations in 2017, as presented in the profit and loss discussion above, and HK$6.5 million of revenue year to date 2018.

Current assets

As at 31 December 2017, the Group recorded HK$283.2 million in current assets which is HK$69.2 million or 32.3% higher than that as at 31 December 2016.

This is primarily the combining effect of three factors: (1) increase in trade and other receivables of HK$24.6 million, (2) decrease in amounts due from contract customers of approximately HK$18.2 million, and (3) increase in cash and cash equivalents of HK$63.1 million. As a result, the Group's cash and cash equivalents stood at HK$141.1 million as at 31 December 2017. We were able to stretch supplier payments, collect more monies from customers and generate positive cash flows from operations.

The increase in cash and cash equivalents represented a healthy financial position, and the amount of HK$141.1 million cash is the best cash position in our corporate history.

This translates into Cash per Share of HK cents 35.27 as at 31 December 2017 (Cash per Share for 2016: HK cents 22.39).

Current liabilities

The Group's current liabilities increased by approximately HK$68.1 million as at 31 December 2017 compared to that as at 31 December 2016. This is mainly due to the increase in trade and other payables by approximately HK$68.0 million or 62.2% as at 31 December 2017.

Non-current liabilities

The Group has no significant non-current liabilities as at 31 December 2017.

As a result, the Group's net current assets stood at HK$105.5 million as at 31 December 2017, which is HK$1.0 million or 1% higher than that as at 31 December 2016. And the total equity stood at HK$138.2 million compared to as at 31 December 2017, which is HK$12.8 million or 10.2% higher than that as at 31 December 2016.

This translates into Equity per Share of HK cents 34.55 as at 31 December 2017 (Equity per Share for 2016: HK cents 36.01).

Cash Flows

Cash flows from operating activities

We generated cash inflows before movements in working capital and tax provision of HK$14.2 million in 2017 which is slightly higher than that of HK$13.6 million in 2016. Despite our continuing operating was lower profitability and higher amortization of intangible assets, it was offset by a high other income amount came from exchange gain on transactions and exchange gain on translation.

Together with the major working capital changes, which are mainly represented by increase in trade and other receivables of HK$12.9 million, the decrease in amounts due from contract customers of HK$20.7 million and increase in trade and other payables amount of HK$51.5 million explained in the Balance Sheet section, the Group generated cash inflows of HK$72.6 million from the operations. After adjusting for tax paid and interest received, we generated cash inflows of HK68.1 million from operating activities in 2017.

Cash flows from investing activities

The Group recorded net cash outflows of HK$9.2 million from investing activities for 2017. This is a result of the net impact from a decrease in pledged bank deposit, fixed bank deposits, loan to ultimate holding company, net disposal of available-for-sale financial assets, offset by purchases of intangible assets and net purchases and disposal of property, plant and equipment.

Cash flows from financing activities

In 2017, the Group generated net cash outflows of HK$6.5 million mainly due to dividend paid of HK$4.6 million, interest paid of HK$0.5 million and new bank borrowings of HK$80.9 million which were offset by repayments of HK$82.2 million.

As a result of net increase in cash and cash equivalents of HK$52.4 million, the Group's cash and bank balances stood at approximately HK$141.1 million at the end of 2017.

LIQUIDITY AND FINANCIAL RESOURCES

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 2017, total equity of the Group amounted to HK$138.2 million, and the current assets amounted to HK$283.2 million. The total debts (including bank borrowings and obligations under finance leases) of the Group amounted to approximately HK$16.5 million, and its current liabilities amounted to HK$177.7 million.

The Group expresses its gearing ratio as a percentage of total debts over total equity. As at 31 December 2017, the gearing ratio was 12.0% (2016: 13.0%) and remains stable. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.6 times (2016: 2.0 times), reflecting the adequacy of financial resources.

As at 31 December 2017, the Group had total cash and cash equivalents of HK$141.1 million (as at 31 December 2016: approximately HK$78.0 million), which included cash and cash equivalents in KRW of approximately KRW 16.1 billion, in US dollars of US$1.5 million, and in HK dollars of HK$11.0 million. The Board considers that the Group has healthy liquidity and adequate financial resources.

As at 31 December 2017, the Group had bank borrowings bearing variable interest rates of approximately US$2.1 million, which was equivalent to approximately HK$16.5 million (as at 31 December 2016: approximately HK$16.3 million).

BUSINESS REVIEW

The Group is a technology services provider based in Korea, with a focus on provision of system integration and maintenance services. Revenue comprised of revenue from system integration and maintenance services amounted to HK$506.5 million and HK$524.0 million for the years ended 31 December 2017 and 2016 respectively.

System Integration Services

Majority of the Group's revenue is derived from the provision of system integration, which mainly integrates suitable hardware and software components, and configure them into a compatible system according to the requirements of the Group's customers. The revenue from system integration services slightly decreased by 2.7% from HK$428.3 million for the year ended 31 December 2016 to that of HK$416.9 million for the year ended 31 December 2017. Such decrease was due to political instability during 2017, and our management selection of quality deals where we are positive to collect monies from the projects as soon as they are ended. The segment profit of system integration decreased by approximately 2.8% from HK$48.6 million for the year ended 31 December 2016 to HK$47.2 million for the year ended 31 December 2017. Such decrease was primarily due to lower revenue of system integration projects from Korea operations.

Set out below are the details of the movement of the number of system integration projects up to 31 December 2017.

Number of projects as at 1 January 2017	32
Number of new projects awarded during the year	688
Number of projects completed during the year	(689)
Number of projects as at 31 December 2017	31

Maintenance Services

The Group also provides maintenance services 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 customers' operations. The revenue from maintenance services decreased by 6.4% from HK$95.7 million for the year ended 31 December 2016 to HK$89.6 million for the year ended 31 December 2017. Such decrease was primarily due to lower revenue generated in 2017. The segment profit of maintenance services decreased by 30.4% from HK$34.5 million for the year ended 31 December 2016 to HK$24.0 million for the year ended 31 December 2017. Such percentage of decrease was due to decrease in the revenue of maintenance services from Korea operations as well as loss of two maintenance contracts with higher margin.

FUTURE PROSPECTS

As presented in this section, the Group has started to generate maiden revenue from Hong Kong operations amounting to approximately HK$9 million, or 1.8% of the Group's total revenue in 2017. The Group expects this trend to continue. The Group is positive that Hong Kong operations will continue to generate more revenue and higher gross margin contributions in areas of software licensing and cyber security services to the Group in 2018.

In addition, given the recent political stability in the Korea market, the Group expects that government agencies and corporate enterprises will invest higher budget in 2018 as compared to 2017, and confidently resume some of the outstanding and postponed projects in 2017. Hence, the Group expects good results from the Korea operations in 2018.

The Group is looking forward to achieving another year of profitability for 2018.

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 2017, the Group recorded exchange gain of approximately HK$3.7 million.

CHARGES ON GROUP'S ASSETS

As at 31 December 2017, a fixed deposit amounting to HK$3.7 million was pledged to Korea Software Financial Cooperative ("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

The Group did not have plans for material investment or capital asset as at 31 December 2017.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition and disposal during the year ended 31 December 2017.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had an aggregate of 157 (31 December 2016: 156) 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$70.3 million for the year ended 31 December 2017 (31 December 2016: approximately HK$69.0 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 2017, no share option had been granted.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Suh Seung Hyun (徐承鉉)

EXECUTIVE DIRECTORS

Mr. Suh Seung Hyun (徐承鉉), aged 48, 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 Korean 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)

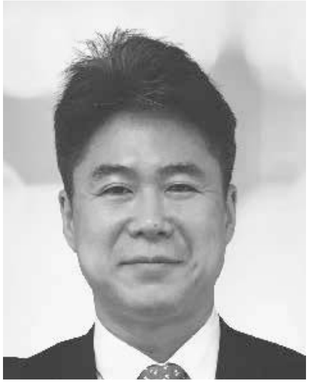
EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang (馮潤江), aged 56, 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 29 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 product 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. 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. Lee Seung Han (李承翰)

EXECUTIVE DIRECTORS

Mr. Lee Seung Han (李承翰), aged 47, 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 21 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)

EXECUTIVE DIRECTORS

Mr. Ryoo Seong Ryul (柳晟烈), aged 44, 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 16 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. Wong Sik Kei (王錫基)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei (王錫基), aged 70, 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. Sum Chun Ho (沈振豪)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sum Chun Ho (沈振豪), aged 46, was appointed as our independent non-executive Director on 2 November 2016 and is the chairman of our audit committee. Mr. Sum has over 21 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.

Mr. Yung Kai Tai (容啟泰)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yung Kai Tai (容啟泰), aged 67, was appointed as our independent non-executive Director on 15 June 2017 and is the chairman of our nomination committee.

Mr. Yung obtained a Bachelor of Science degree majoring in Physics and minoring in Electronics and a Master of Business Administration, both from the Chinese University of Hong Kong, in October 1973 and October 1986 respectively. Mr. Yung also completed a Harvard Business School Executive Education in July 1997.

Mr. Yung has extensive knowledge and 33 years' experience in the information and communication technology industry. Mr. Yung joined the Hong Kong Productivity Council in March 1983 and has over 28 years of working experience in the organization. Before his retirement in April 2011, Mr. Yung was the general manager of the Hong Kong Productivity Council, responsible for the development of the information and communication technology industry in Hong Kong. Mr. Yung has once acted as the chairman of the Hong Kong Game Industry Association, the vice president of the Hong Kong Software Industry Association and the vice president of the Hong Kong Association for Advancement of Science and Technology. Mr. Yung was also elected as distinguished fellow of the Hong Kong Computer Society and member of the first three Election Committees of the Hong Kong Special Administrative Region. Mr. Yung is an independent non-executive director of Gameone Holdings Limited (stock code: 8282), the issued shares of which are listed on GEM of the Stock Exchange. From 1 February 2013 to 30 June 2016, Mr. Yung was an independent non-executive director of ETS Group Limited (stock code: 8031), the issued shares of which are listed on GEM.

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

As at 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 past three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) 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"); (iii) there was no information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the shareholders of the Company.

Mr. Ho Kam Shing, Peter (何金城)

SENIOR MANAGEMENT

Mr. Ho Kam Shing, Peter (何金城), aged 71, is the managing director of Future Data Limited, a subsidiary of the Company since June 2017. Mr. Ho oversees the Company business in Hong Kong, and other markets outside Korea.

Mr. Ho has over 22 years of experience in the IT industry. Mr. Ho acted as the regional general manager of Hong Kong and Taiwan from 1996 and 1999 at Datacraft Asia Ltd. (now known as Dimension Data Asia Pacific Ltd.), a company principally engaged in the provision of 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. Ko Jae Seok (高在錫)

SENIOR MANAGEMENT

Mr. Ko Jae Seok (高在錫), aged 45, 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 has more than 18 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 the 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. Ko obtained a bachelor's degree in economics from The University of Suwon in Korea in February 1996.

Mr. Kim Do Hyung (金度亨)

SENIOR MANAGEMENT

Mr. Kim Do Hyung (金度亨), aged 40, 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 14 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)

SENIOR MANAGEMENT

Mr. Lee Jun Su (李俊洙), aged 45, 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 joined our Group as a network engineer of Global Telecom in September 1997 and has accumulated more than 19 years of experience in the information and communications technology industry.

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

Ms. Ng Pui Fan (吳佩芬)

SENIOR MANAGEMENT

Ms. Ng Pui Fan (吳佩芬), aged 53, is the financial controller and company secretary of the Company. Ms. Ng joined the Company in June 2017 and is principally responsible for managing the finance and accounting operations of the Company, and ensuring that the practice and procedures of the Board and Board Committees are followed and applicable rules and regulations are complied with.

Ms. Ng has over 30 years of experience in financial accounting. She holds a Master degree of Business Administration from the Heriot-Watt University in Edinburgh, UK. She is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA).

CORPORATE GOVERNANCE REPORT

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. Throughout the year ended 31 December 2017, the Company has complied with the 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 year ended 31 December 2017.

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 seven members, consisting of four 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 and Compliance Officer)
Mr. Ryoo Seong Ryul *(Chief Financial Officer)*

Independent non-executive Directors:
Mr. Wong Sik Kei
(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)
Mr. Sum Chun Ho
(Chairman of the Audit Committee)
Mr. Yung Kai Tai
(Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee)

The biographical information of the Directors are set out on pages 13 to 15 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

During the year ended 31 December 2017, 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.

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 8 July 2016 (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 2017:

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
Independent non-executive Directors	
Mr. Wong Sik Kei	A
Mr. Sum Chun Ho	A, B, C
Mr. Yung Kai Tai	A

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

B Attending seminars and trainings

C Reading materials relating to directors' duties and responsibilities

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 2 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 year ended 31 December 2017 is as follows:

Name of Members	For the period from 1 January 2017 to 14 June 2017	For the period from 15 June 2017 to 31 December 2017
Mr. Sum Chun Ho	Chairman	Chairman
Mr. Ho Kam Shing, Peter *(resigned on 15 June 2017)*	Member	—
Mr. Wong Sik Kei	Member	Member
Mr. Yung Kai Tai *(appointed on 15 June 2017)*	—	Member

During the year ended 31 December 2017, the Audit Committee held four meetings, to assess the independence of the Company's auditor, review the risk management and internal control systems, the Group's annual financial results and report for the year ended 31 December 2016; quarterly financial results and report for the three months and nine months ended 31 March 2017 and 30 September 2017 respectively; and interim financial results and report for the six months ended 30 June 2017 before submission to the Board for approval.

The Audit Committee met 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 year ended 31 December 2017 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 and two independent non-executive Directors and its composition for the year ended 31 December 2017 is as follows:

Name of Members	For the period from 1 January 2017 to 14 June 2017	For the period from 15 June 2017 to 31 December 2017
Mr. Phung Nhuong Giang	Member	Member
Mr. Wong Sik Kei	Chairman	Chairman
Mr. Ho Kam Shing, Peter *(resigned on 15 June 2017)*	Member	—
Mr. Yung Kai Tai *(appointed on 15 June 2017)*	—	Member

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

During the year ended 31 December 2017, the Remuneration Committee held two meetings, to review and make recommendation to the Board on the remuneration packages of Directors and senior management and the independent non-executive Director appointed during the year of 2017 and other related matters.

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 and two independent non-executive Directors and its composition for the year ended 31 December 2017 is as follows:

Name of Members	For the period from 1 January 2017 to 14 June 2017	For the period from 15 June 2017 to 31 December 2017
Mr. Phung Nhuong Giang	Member	Member
Mr. Ho Kam Shing, Peter *(resigned on 15 June 2017)*	Chairman	—
Mr. Wong Sik Kei	Member	Member
Mr. Yung Kai Tai *(appointed on 15 June 2017)*	—	Chairman

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 2017, the Nomination Committee held two meetings, to review the structure, size and composition of the Board, the Board diversity policy and the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the AGM and to consider and recommend to the Board on the appointment of Mr. Yung Kai Tai as independent non-executive Director. 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 who are not Directors of the Company for the year ended 31 December 2017 are as follows:

Remuneration bands	Number of Individuals
HK$ Nil to HK$1,000,000	5

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 year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Suh Seung Hyun	6/6	N/A	N/A	N/A	1/1
Mr. Phung Nhuong Giang	6/6	N/A	2/2	2/2	1/1
Mr. Lee Seung Han	6/6	N/A	N/A	N/A	1/1
Mr. Ryoo Seong Ryul	6/6	N/A	N/A	N/A	1/1
Mr. Park Hyeoung Jin (Note 1)	1/1	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Mr. Ho Kam Shing, Peter (Note 2)	3/3	2/2	2/2	2/2	1/1
Mr. Wong Sik Kei	6/6	4/4	2/2	2/2	1/1
Mr. Sum Chun Ho	6/6	4/4	N/A	N/A	1/1
Mr. Yung Kai Tai (Note 3)	3/3	2/2	0/0	0/0	0/0

Note 1: Mr. Park Hyeoung Jin retired as an executive Director at the annual general meeting of the Company held on 10 May 2017. 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. Ho Kam Shing, Peter resigned as an independent non-executive Director on 15 June 2017. The attendance record mentioned in this table shows the applicable number of meetings held and attended by this Director during the mentioned period.

Note 3: Mr. Yung Kai Tai was appointed as an independent non-executive Director on 15 June 2017. The attendance record mentioned in this table shows the applicable number of meetings held and attended by this Director during the mentioned period.

Four regular board meetings were held during the year ended 31 December 2017.

On 19 March 2018, 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.

During the year ended 31 December 2017, 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 2017.

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 45 to 49.

AUDITOR'S REMUNERATION

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

During the year ended 31 December 2017, the total fees paid/payable in respect of audit services provided by BDO Limited was approximately HK$1,097,000 and no non-auditing services were provided by the external auditor (2016: HK$1,880,000 including 2016 annual audit fee HK$850,000 and non-auditing services fee of HK$1,030,000 for acting as reporting accountant in relation to the Listing).

COMPANY SECRETARY

During the period from 1 January 2017 to 14 June 2017, Ms. Ngai Kit Fong of Tricor Services Limited, external service provider, had 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. With effect from 15 June 2017, Ms. Ng Pui Fan, financial controller of the Company, has been appointed as the company secretary of the Company in place of Ms. Ngai Kit Fong. Details of this change of company secretary can be referred to in the announcement of the Company published on the websites of the Stock Exchange and the Company on 15 June 2017.

Ms. Ng Pui Fan is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed. 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 websites 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 during the year ended 31 December 2017. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is engaged in the provision of (i) system integration and (ii) maintenance services in Korea and Hong Kong.

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 84 to 87 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 2017 are set forth in the consolidated financial statements on pages 50 to 127 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK cents 1.15).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2017, 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 7 to 12. 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 2017 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 2017, approximately HK$416.9 million (2016: HK$428.3 million) of our revenue was generated from our system integration projects, representing approximately 82.3% (2016: 81.7%) 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 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 "Environmental, Social and Governance Report", which will be published on the websites of the Company and of the Stock Exchange by the end of June, 2018.

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 all 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 2017.

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 2017, our largest customer accounted for approximately 11.6% (2016: 15.4%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 34.3% (2016: 29.7%).

For the year ended 31 December 2017, our largest supplier accounted for approximately 14.9% (2016: 13.6%) 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 37.7% (2016: 30.9%).

For the year ended 31 December 2017, our largest subcontractor amounted to approximately 19.2% (2016: 11.7%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 74.4% (2016: 45.5%).

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.

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.

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 four financial years, as extracted from the audited consolidated financial statements or the prospectus dated 29 June 2016 (the "Prospectus"), is set out on page 128 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 15 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of movements in intangible assets 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 27 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 30 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

As at 31 December 2017, 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$41,598,000 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 31 December 2017).
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 during the year ended 31 December 2017.

DIRECTORS

The Board during the year 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 *(retired on 10 May 2017)*

Independent Non-executive Directors

Mr. Wong Sik Kei
Mr. Ho Kam Shing, Peter *(resigned on 15 June 2017)*
Mr. Sum Chun Ho
Mr.Yung Kai Tai *(appointed on 15 June 2017)*

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 articles 83(3), 84(1) and 84(2) of the Articles, Mr. Phung Nhuong Giang, Mr. Ryoo Seong Ryul and Mr.Yung Kai Tai shall retire at the forthcoming AGM. All of the above 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 13 to 17 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 14 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 32 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 year ended 31 December 2017.

MANAGEMENT CONTRACTS

During the year ended 31 December 2017, 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 to 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 28 to the consolidated financial statements, at no time during the year ended 31 December 2017 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 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, 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 2017 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 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 31 December 2017, 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 8)
LiquidTech (Note 1)	Beneficial owner	262,917,327	65.73%
AMS (Notes 1, 2 and 3)	Interest in controlled corporation	262,917,327	65.73%
Mr.Park (Note 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%

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) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2017 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2017, 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 during the year ended 31 December 2017.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2017 is set out in note 32 to the consolidated financial statements of this annual report. The related party transaction disclosed in note 32 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 year ended 31 December 2017. 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 during the year ended 31 December 2017.

DONATIONS

Charitable or other donations made by the Group during the year ended 31 December 2017 amounted to HK$94,116.

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 during the year ended 31 December 2017 and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the annual general meeting

The register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018 (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 Wednesday, 2 May 2018.

USE OF PROCEEDS

Following the Listing, in response to changing business environment and business development requirement of the Group, the Board has resolved to revise the proposed use of the IPO Proceeds for reasons as more fully explained in the paragraph headed "Reasons for the Change in Use of Proceeds" in the announcement of change in use of proceeds dated 4 September 2017.

The Board considers that the reallocation of IPO Proceeds is in the interest and commercial benefit of the Company and Shareholders as a whole, and will promote and strengthen the development of the Group's principal business as stated in the Prospectus, and also better meet the development trend of the market and strengthen the Group's image as an integrated player in the industry.

The IPO Proceeds for the year ended 31 December 2017 were used as follows:

	Planned use of net proceeds from 5 September 2017 up to 31 December 2017 *HK$ million*	Actual use of net proceeds during the year ended 31 December 2017 *HK$ million*
1) Setting up new service points in the cities of Busan, Jeonju and Gangneung in Korea	4.2	–
2) General working capital	1	1
3) Development of big data platform and cyber security software application capabilities		
– Acquiring software platforms	12.0	11.9
– Recruiting a team of security experts in Hong Kong	3.4	1.8
Total:	20.6	14.7

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 for the year ended 31 December 2017 ("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 Jeonju city	– Listing proceeds of approximately HK$1.7 million	– Setting up an office in Jeonju city was prolonged to 2018 as the Group was not able to identify a suitable location under the Review Period.
	– Acquiring maintenance equipment to support our maintenance service in Jeonju city	– Listing proceeds of approximately HK$1.9 million and our internal resources	– Purchase of maintenance equipment was prolonged until the office in Jeonju city is being located and set up.
	– Acquiring testing equipment for performance check of the integrated systems	– Listing proceeds of approximately HK$0.6 million	– Purchase of testing equipment was prolonged until the office in Jeonju city is located and set up.
Development of big data platform and cyber security software application capabilities	– Acquisition of software intellectual property platforms will be integrated to form part of the security operations center (iCASTLE) which is a key business differentiator form other market players	– Listing proceeds of approximately in total HK$12 million	– The Group has bought the platforms totally in HK$11.9 million for Hong Kong operations and contributed HK$9 million revenue in 2017, HK$6.5 million as of the date of this report, and continually contribution in future.
	– Recruitment of cyber security expert team shall be responsible for the provision of intelligence-lead cyberattack simulation testing services	– Listing proceeds of approximately in total HK$3.4 million	– The professional team cost was HK$1.8 million and contributed brilliant profit margins to the Group's cyber security business in Hong Kong operations in 2017.
Expanding our professional team and enhancing our service quality	– Recruiting new salespersons, engineers and administrative staff to support the business in Jeonju city	Our internal resources	– Prolonged due to the office in Jeonju 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, which will be published on the website of the Company and of the Stock Exchange by the end of June, 2018.

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 2017.

The Company has not changed its external auditor during the year ended 31 December 2017 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 2017 to the date of this annual report, no significant events have occurred.

On Behalf of the Board

Suh Seung Hyun
Chairman

19 March 2018

INDEPENDENT AUDITOR'S REPORT

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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 50 to 127, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2017, and of its consolidated financial performance and its 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 FOR 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 judgement, 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 4.10, 5 and 6 to the consolidated financial statements)

For the year ended 31 December 2017, the Group recognised revenue of approximately HK$506,490,000 (2016: HK$524,021,000), of which HK$413,002,000 (2016: 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 internal 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.

OTHER INFORMATION IN THE ANNUAL REPORT

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 the 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 the 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 judgement and maintain professional skepticism 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, 19 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**506,490**	524,021
Cost of sales		**(435,259)**	(440,914)
Gross profit		**71,231**	83,107
Other income	7	**4,829**	681
Listing expenses		**–**	(10,403)
Selling and administrative expenses		**(67,974)**	(66,090)
Finance costs	8	**(528)**	(339)
Profit before income tax	9	**7,558**	6,956
Income tax expense	11	**(2,287)**	(3,248)
Profit for the year		**5,271**	3,708
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		**(687)**	(1,057)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		**31**	501
Exchange differences arising on translation of foreign operations		**12,783**	(2,466)
Total other comprehensive income		**12,127**	(3,022)
Total comprehensive income for the year		**17,398**	686
Earnings per share – Basic and Diluted (HK cents)	13	**1.32**	1.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**7,765**	9,333
Intangible assets	16	**11,698**	–
Available-for-sale financial assets	17	**4,690**	4,029
Guarantee deposits		**5,096**	4,484
Deferred tax assets	18	**3,604**	3,521
		32,853	21,367
Current assets			
Inventories	19	**7,854**	7,038
Trade and other receivables	20	**110,883**	86,255
Tax recoverable		**762**	–
Loan to ultimate holding company	21	**–**	1,765
Amounts due from contract customers	22	**9,525**	27,677
Prepayments		**4,127**	4,266
Pledged bank deposit	17	**3,663**	3,214
Fixed bank deposits		**5,275**	5,850
Cash and cash equivalents		**141,062**	77,970
		283,151	214,035
Current liabilities			
Trade and other payables	23	**158,493**	90,468
Amounts due to contract customers	22	**2,321**	1,140
Bank borrowings	24	**16,520**	16,266
Obligations under finance leases	25	**–**	31
Tax payable		**–**	1,576
Deferred tax liabilities	18	**280**	–
		177,614	109,481
Net current assets		**105,537**	104,554
Total assets less current liabilities		**138,390**	125,921

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Defined benefit obligations	26	**184**	513
Net assets		**138,206**	125,408
EQUITY			
Share capital	27	**4,000**	4,000
Reserves		**134,206**	121,408
Total equity		**138,206**	125,408

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital (Note 27) HK$'000	Share premium* (Note 30 (a)) HK$'000	Capital reserve* (Note 30 (b)) HK$'000	Investment revaluation reserve* (Note 30 (c)) HK$'000	Research and development reserve* (Note 30 (d)) HK$'000	Foreign exchange reserve* (Note 30 (e)) HK$'000	Legal reserve* (Note 30 (f)) HK$'000	Retained earnings* HK$'000	Total equity HK$'000
Balance at 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 27(c))	(3,684)	–	13,855	–	–	–	–	–	10,171
Issue of ordinary shares pursuant to the listing of the Company's shares (note 27(f))	1,000	57,000	–	–	–	–	–	–	58,000
Capitalisation issue of ordinary shares (note 27(e))	3,000	(3,000)	–	–	–	–	–	–	–
Expenses incurred in connection with issue of new ordinary shares (note 30)	–	(7,802)	–	–	–	–	–	–	(7,802)
Total transactions with owners	316	46,198	13,855	–	–	–	–	–	60,369
Balance at 31 December 2016 and 1 January 2017	4,000	46,198	13,855	501	3,674	(9,804)	1,530	65,454	125,408

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital (Note 27) HK$'000	Share premium* (Note 30 (a)) HK$'000	Capital reserve* (Note 30 (b)) HK$'000	Investment revaluation reserve* (Note 30 (c)) HK$'000	Research and development reserve* (Note 30 (d)) HK$'000	Foreign exchange reserve* (Note 30 (e)) HK$'000	Legal reserve* (Note 30 (f)) HK$'000	Retained earnings* HK$'000	Total equity HK$'000
Balance at 31 December 2016 and 1 January 2017	4,000	46,198	13,855	501	3,674	(9,804)	1,530	65,454	125,408
Profit for the year	–	–	–	–	–	–	–	5,271	5,271
Other comprehensive income									
Fair value gain on available-for-sale financial assets	–	–	–	31	–	–	–	–	31
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	–	(687)	(687)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	12,783	–	–	12,783
Total comprehensive income	–	–	–	31	–	12,783	–	(4,584)	17,398
Appropriation	–	–	–	–	–	–	465	(465)	–
Transactions with owners									
Dividends paid in respect of the previous year (note 12)	–	(4,600)	–	–	–	–	–	–	(4,600)
Total transactions with owners	–	(4,600)	–	–	–	–	–	–	(4,600)
Balance at 31 December 2017	4,000	41,598	13,855	532	3,674	2,979	1,995	69,573	138,206

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit before income tax expense	7,558	6,956
Adjustments for:		
Amortisation of intangible assets	1,225	–
Depreciation of property, plant and equipment	4,320	4,072
Exchange (gain)/loss	(789)	485
Finance costs	528	339
Net provision/(reversal) for impairment of inventories	1,207	(36)
Interest income	(290)	(389)
Net loss on disposal of available-for-sale financial assets	7	20
Gain on disposal of property, plant and equipment	(138)	–
Provision for impairment of trade receivables	531	1,741
Provision for impairment of loan to employee	–	65
Provision for impairment of prepayments	–	387
Operating profit before working capital changes	14,159	13,640
Decrease/(increase) in guarantee deposits	14	(181)
(Increase)/decrease in inventories	(1,204)	966
(Increase)/decrease in trade and other receivables	(12,949)	7,343
Decrease/(increase) in amounts due from contract customers	20,740	(20,033)
Decrease in prepayments	641	1,042
Increase/(decrease) in trade and other payables	51,452	(36,945)
Increase/(decrease) in amounts due to contract customers	962	(1,151)
Decrease in net defined benefit obligations	(1,258)	(1,444)
Cash generated from/(used in) operations	72,557	(36,763)
Income taxes paid	(4,651)	(4,079)
Interest received	228	303
Net cash from/(used in) operating activities	68,134	(40,539)

	2017 HK$'000	2016 HK$'000
Cash flows from investing activities		
Purchases of intangible assets	(10,973)	–
Purchases of property, plant and equipment	(1,591)	(810)
Proceeds from disposal of available-for-sale financial assets	101	3,507
Purchases of available-for-sale financial assets	(97)	(1,025)
Proceeds from disposal of property, plant and equipment	241	9
Increase in pledged bank deposit	–	(3,214)
Decrease/(increase) in fixed bank deposits	1,311	(1,337)
Decrease/(increase) in loan to ultimate holding company	1,765	(1,765)
Net cash used in investing activities	(9,243)	(4,635)
Cash flows from financing activities		
Proceeds from bank borrowings	80,862	50,747
Repayment of bank borrowings	(82,178)	(46,455)
Interest paid	(528)	(349)
Repayment of obligations under finance leases	(34)	(78)
Dividends paid	(4,600)	(5,404)
Proceeds from new shares issued	–	50,198
Increase in amount due to ultimate holding company	–	3,830
Net cash (used in)/from financing activities	(6,478)	52,489
Net increase in cash and cash equivalents	52,413	7,315
Cash and cash equivalents at beginning of year	77,970	71,243
Effect of exchange rate changes	10,678	(588)
Cash and cash equivalents at the end of year	141,061	77,970
Analysis of balances of cash and cash equivalents		
Cash and bank balances	141,061	77,970

1. GENERAL

Future Data Group Limited (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 of Hong Kong Limited (the "Stock Exchange") since 8 July 2016. 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 Room 1002, 10/F, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong.

The principal places of the Group's business are located at 14th – 15th Floor, Deokmyeong Building, Samseong-dong, 625, Teheran-ro, Gangnam-gu, Seoul, Korea and at the aforementioned address in Hong Kong.

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 services in Korea and Hong Kong.

As at 31 December 2017, 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

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

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 37. No comparative information for the preceding period is required when the amendment was first adopted.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2017 (Continued)

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets and there were no debt instruments measured at fair value.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group did not have any interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

(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 HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (clarifications to HKFRS 15)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

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 the above amendments will have no material impact on the consolidated financial statements.

2. 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.

2. 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 (Continued)

The directors of the Company have reviewed the Group's financial assets as at 31 December 2017 and anticipate that the application of the expected credit loss model of HKFRS 9 in the future will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model. The Group will adopt 1 January 2018 as the date of initial application for the adoption of HKFRS 9 and will apply the limited exemption in paragraph 7.2.15 of HKFRS 9 relating to transition for classification and measurement and impairment, and accordingly will not restate comparatives in the year ended 31 December 2018. The Group expects to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities.

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.

2. 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 (Continued)

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 HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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 of the Company have assessed its performance obligations under its arrangements for the provision of system integration and maintenance services and sales of software pursuant to HKFRS 15 and has concluded that there are no significant differences on the timing and amounts of revenue recognised for these revenue streams in the respective reporting periods. Accordingly, the implementation of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption. The Group plans to apply the new standard only to contracts not completed as of the date of initial application which is 1 January 2018 as permitted by the practical expedients in HKFRS 15.

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

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

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that there would be no significant impact on the Group's results and financial position upon the adoption of this interpretation.

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 than 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.

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

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

HKFRS 16 – Leases (Continued)

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.

As set out in note 33 below, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2017 amounted to approximately HK$8,048,000. 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.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group is not yet in a position to state whether the interpretation will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 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 measured at fair value as disclosed in the summary of significant accounting policies in note 4.7.

3.3 Functional and presentation currency

The functional currencies of the Company's principal operating subsidiaries, Global Telecom Company Limited ("Global Telecom") and Future Data Limited ("Future Data"), are South Korean Won ("KRW") and Hong Kong Dollars ("HK$") respectively, while the consolidated financial statements are presented in HK$ which is also the functional currency of the Company. As the Company's shares are listed on 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 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.

4.3 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 recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the shorter of lease terms or 5 years
Equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

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.

4.4 Intangible assets (other than goodwill)

(a) Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software platforms	5 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Intangible assets (other than goodwill) (Continued)

(b) Internally generated intangible assets (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.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

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

(c) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.5).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.6 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Leasing (Continued)

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.

4.7 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, short-term loans to employees, loan to ultimate holding company and cash and cash equivalents.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments (Continued)

Financial assets (Continued)

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 equity 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

These assets 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables *(Continued)*

If, in a 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 trade and other payables, bank borrowings, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 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 the estimated costs necessary to make the sale.

4.9 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:

(a) Revenue from contracts for system integration is recognised based on the percentage of completion method in accordance with the accounting policy in note 4.10.

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

(c) Revenue from sales of software is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the software sold.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 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, in which case, the exchange differences 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.

4.13 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Employee benefits (Continued)

Defined contribution retirement plans

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.

Future Data operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. Future Data's employer contributions vest fully with the employees when contributed into the MPF 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 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.

4.15 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.

4.16 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.

4.17 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 reliably 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 of which 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Related parties (Continued)

(c) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements 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 intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the estimated years of future economic benefits generated from those intangible assets. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the amortisation charges 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 judgement. 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 assets included in the Group's 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).

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

6. 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.

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 services

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

(a) Business Segments

The segment results are as follows:

2017

	System integration	Maintenance services	Total
	HK$'000	HK$'000	HK$'000
Total segment revenue	416,860	89,630	506,490
Gross profit/segment results	47,219	24,012	71,231
Other income			4,829
Selling and administrative expenses			(67,974)
Finance costs			(528)
Profit before income tax			7,558
Income tax expense			(2,287)
Profit for the year			5,271

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Business Segments (Continued)

2016

	System integration HK$'000	Maintenance services HK$'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

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customers location)		Specified non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,967**	–	**12,163**	–
Korea	**497,523**	524,021	**7,300**	9,333
	506,490	524,021	**19,463**	9,333

The above specified non-current assets are analysed based on the principal places of the Group's business operations.

The principal places of the Group's operations are Korea and Hong Kong which is the domicile of the Company.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Revenue analysis

An analysis of Group's revenue is as follows:

	2017 HK$'000	2016 HK$'000
System integration:		
– Revenue from system integration services	413,002	428,289
– Revenue from sales of software	3,858	–
	416,860	428,289
Maintenance services:		
– Revenue from maintenance services	89,630	95,732
	506,490	524,021

(d) Information about major customers

The Group recorded two major customers whose revenue contributed 10% or more of the Group's revenue as set out below.

	2017 HK$'000	2016 HK$'000
Customer A	58,597	80,831
Customer B	51,146	–

These revenues are derived from the segment of system integration.

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income	290	389
Gain on disposal of property, plant and equipment	138	–
Gain on foreign exchange, net	3,725	115
Miscellaneous gains, net	676	177
Total	4,829	681

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowings	524	335
Interest element of finance lease payments	4	4
Total	528	339

9. PROFIT BEFORE INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Carrying amount of inventories sold	383,103	354,835
Net provision/(reversal) for impairment of inventories	1,207	(36)
Costs of inventories recognised as expenses	384,310	354,799
Employee costs (note 10)	70,293	69,012
Subcontracting costs	14,590	50,684
Provision for impairment of trade receivables	531	1,741
Provision for impairment of loan to employee (note 20 (b))	–	65
Provision for impairment of prepayments (note (b))	–	387
Amortisation of intangible assets	1,225	–
Depreciation of property, plant and equipment	4,320	4,072
Auditor's remuneration	1,097	1,106
Research and development costs (note (a))	2,831	2,387
Net loss on disposal of available-for-sale financial assets	7	20
Net gain on foreign exchange	(3,725)	(115)
Gain on disposal of property, plant and equipment	(138)	–
Operating lease payments in respect of rented premises	2,117	1,639

(a) Research and development costs included employee costs of approximately HK$2,794,000 (2016: HK$2,387,000) as disclosed above.

(b) During the year ended 31 December 2016, provision for impairment of prepayments amounting to approximately HK$387,000 was made as disclosed above after management's assessment that it might be uncollectible. The amount was proved to be irrecoverable and had been written off during 2017. There is no such provision for impairment of prepayments for the year ended 31 December 2017.

10. EMPLOYEE COSTS

	2017 HK$'000	2016 HK$'000
Employee costs (including directors) comprise:		
Salaries		
– Capitalised as intangible assets (note 16)	298	–
– Charged to profit or loss	56,768	55,776
Contributions to defined contribution retirement plans	1,883	1,876
Defined benefit costs (note 26)	4,293	3,434
Other benefits	7,051	7,926
Total	70,293	69,012

11. INCOME TAX EXPENSE

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

	2017 HK$'000	2016 HK$'000
Current tax		
Tax for the year	1,631	3,956
Deferred tax		
Current year (note 18)	656	(708)
Income tax expense	2,287	3,248

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 10% to 22% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2017. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2017 are as follows:

- 10% on assessable profit up to the first KRW200 million (equivalent to approximately HK$1.4 million for the year ended 31 December 2017 (2016: KRW200 million (equivalent to approximately HK$1.3 million));

11. INCOME TAX EXPENSE (CONTINUED)

- 20% on assessable profit in excess of KRW200 million (equivalent to approximately HK$1.4 million) for the year ended 31 December 2017 (2016: KRW200 million (equivalent to approximately HK$1.3 million)) and up to KRW20 billion (equivalent to approximately HK$138.4 million) for the year ended 31 December 2017 (2016: KRW20 billion (equivalent to approximately HK$133.9 million));

- 22% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$138.4 million for the year ended 31 December 2017 (2016: KRW20 billion (equivalent to approximately HK$133.9 million)).

Future Data is subject to Hong Kong profits tax. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong. Future Data did not derive any assessable profits during the year (2016: Nil).

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**7,558**	6,596
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	**1,752**	2,121
Tax effect of expenses not deductible for tax purposes	**1,857**	2,728
Tax credit	**(1,128)**	(1,303)
Others	**(194)**	(298)
Income tax expense for the year	**2,287**	3,248

12. DIVIDENDS

	2017 HK$'000	2016 HK$'000
2016 final dividend of HK1.15 cents per ordinary share (2016: Nil)	**4,600**	–

On 20 March 2017, the directors proposed a final dividend of HK1.15 cents per ordinary share totalling HK$4,600,000 to the shareholders of the Company in respect of the year ended 31 December 2016. This final dividend was approved by shareholders at the annual general meeting held on 30 March 2017 and total cash dividend of HK$4,600,000 was paid on 18 May 2017. This final dividend proposed after 31 December 2016 was not recognised as a liability as at 31 December 2016.

13. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data.

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year	**5,271**	3,708

	2017 Number'000	2016 Number'000
Number of shares		
Weighted average number of ordinary shares	**400,000**	348,220

Weighted average of 400,000,000 shares for the year ended 31 December 2017 represents the number of shares in issue throughout the year.

Weighted average of 348,220,000 ordinary shares for the year ended 31 December 2016, included the weighted average of 300,000,000 ordinary shares in issue immediately after the completion of capitalisation issue deemed to have been issued throughout the period immediately before the placing of the Company's shares and 100,000,000 shares issued immediately after the completion of the placing in July 2016.

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 2017 and 2016.

14. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

Directors' remuneration

2017

	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	–	1,323	70	1,393
Mr. Phung Nhuong Giang	–	1,200	–	1,200
Mr. Lee Seung Han	–	1,282	71	1,353
Mr. Ryoo Seong Ryul	–	884	58	942
Mr. Park Hyeoung Jin (note (a))	–	1,110	69	1,179
Total	–	5,799	268	6,067
Independent non-executive directors:				
Mr. Wong Sik Kei	120	–	–	120
Mr. Ho, Kam Shing Peter (note (b))	55	–	–	55
Mr. Sum Chun Ho	120	–	–	120
Mr. Yung Kai Tai (note (b))	65	–	–	65
Total	360	–	–	360

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

Directors' remuneration (Continued)

2016

	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	–	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

Notes:

(a) Mr. Park Hyeoung Jin retired from office as executive director of the Company on 10 May 2017.

(b) Mr. Ho, Kam Shing Peter has resigned and Mr. Yung Kai Tai has been appointed as an independent non-executive director of the Company on 15 June 2017.

(c) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

Five highest paid individuals

For the year ended 31 December 2017, the five individuals whose emoluments were the highest in the Group include 4 (2016: 3) directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 1 (2016: 2) individual is as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	1,188	1,903
Contribution to pension schemes	65	106
	1,253	2,009

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

	2017	2016
Nil to HK$1,000,000	–	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 (2016: Nil).

Senior management emoluments

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

	2017	2016
Nil to HK$1,000,000	5	4

15. 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 2016	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
Additions	566	740	285	–	1,591
Transferred from inventories	–	154	–	–	154
Disposals	–	(550)	–	(312)	(862)
Exchange realignment	82	3,076	96	307	3,561
At 31 December 2017	1,232	25,390	1,052	2,329	30,003
Accumulated depreciation:					
At 1 January 2016	100	10,334	498	1,706	12,638
Charge for the year	122	3,577	53	320	4,072
Exchange realignment	(8)	(405)	(15)	(56)	(484)
At 31 December 2016	214	13,506	536	1,970	16,226
Charge for the year	647	3,386	103	184	4,320
Disposals	–	(447)	–	(312)	(759)
Exchange realignment	38	2,068	78	267	2,451
At 31 December 2017	899	18,513	717	2,109	22,238
Carrying amount:					
At 31 December 2017	333	6,877	335	220	7,765
At 31 December 2016	370	8,464	135	364	9,333

As at 31 December 2016, the net carrying amount of motor vehicles included amounts of approximately HK$99,000 in respect of assets held under finance leases. There were no assets held under finance leases as at 31 December 2017.

16. INTANGIBLE ASSETS

	Software platforms HK$'000
Cost:	
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Additions	12,923
At 31 December 2017	12,923
Accumulated amortisation:	
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Amortisation charge for the year	1,225
At 31 December 2017	1,225
Carrying Amount	
At 31 December 2017	11,698
At 31 December 2016	–

The intangible assets acquired during the year were for three distinct software platforms with cyber security, big data and internet of things features. Staff costs of HK$298,000 (note 10) for enhancement of the acquired software platforms has been capitalised in the acquisition cost of the software platforms.

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

	2017 HK$'000	2016 HK$'000
Unlisted equity securities, at cost (note (a))	35	29
Unlisted equity securities, at fair value (note (a))	2,942	2,545
Investment in insurance policies (note (b))	1,713	1,455
	4,690	4,029

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

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

	2017 HK$'000	2016 HK$'000
Korea Software Financial Cooperative	2,942	2,545
Korea Broadcasting & Communication Financial Cooperative	35	29
	2,977	2,574

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"), 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.

As at 31 December 2017, KSFC provided the following guarantees on behalf of Global Telecom:

	2017 HK$'000	2016 HK$'000
Description of guarantee		
– Bidding guarantees	194	1,558
– Contract guarantees	44,193	44,879
– Defect guarantees	35,192	30,252
– Prepayment guarantees	23,049	24,578
– Payment guarantees	220	1,157
	102,848	102,424

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

(a) (Continued)

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 2017 can be measured reliably given that KSFC is required under Article 35 of Software Industry Promotion 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 2017. 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.

As at 31 December 2017, a fixed bank deposit of KRW 500 million (equivalent to approximately HK$3.7 million (2016: KRW 500 million (equivalent to approximately HK$3.2 million)) has been pledged with KSFC in return for the guarantees provided by KSFC above.

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

	Type A		Type B	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Account value as at 31 December	**–**	224	**1,713**	1,231
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.

During the year ended 31 December 2017, Type A insurance has expired, Global Telecom did not renew such insurance plan with the insurer.

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policies are detailed in note 35.

18. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Amortisation of intangible assets	Decelerated/ (accelerated) tax depreciation	Provision for defined benefit obligations	Provision for impairment of trade receivables	Provision for incentive bonus	Provision for impairment of inventories	Tax losses carried forward *(note)*	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	(24)	(26)	228	1,242	729	300	–	605	3,054
Credited/(charged) to profit or loss for the year (note 11)	24	152	(77)	503	71	(8)	–	43	708
Changed to equity for the year	–	–	–	–	–	–	–	(141)	(141)
Exchange realignment	–	(5)	(3)	(52)	(21)	(7)	–	(12)	(100)
At 31 December 2016 and 1 January 2017	–	121	148	1,693	779	285	–	495	3,521
Credited/(charged) to profit or loss for the year (note 11)	(1,930)	56	(159)	93	(304)	266	1,623	(301)	(656)
Charged to equity for the year	–	–	–	–	–	–	–	(9)	(9)
Exchange realignment	–	19	11	242	90	56	–	50	468
At 31 December 2017	(1,930)	196	–	2,028	565	607	1,623	235	3,324

The following is the analysis of deferred tax balances for financial reporting purposes:

	2017	2016
	HK$'000	HK$'000
Deferred tax asset	**3,604**	3,521
Deferred tax liabilities	**(280)**	–
	3,324	3,521

(a) As at 31 December 2017, deferred tax liability of HK$19,705,000 (2016: HK$18,798,000) 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.

(b) As at 31 December 2017, the Group had tax losses arising in Hong Kong of HK$9,837,000 (2016: Nil) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets of approximately HK$1,623,000 (2016: Nil) have been recognised for tax losses arising from a subsidiary in Hong Kong as management expects that availability of future profit streams is highly probable in the foreseeable future.

19. INVENTORIES

	2017 HK$'000	2016 HK$'000
Hardware and software	**7,854**	7,038

20. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**104,832**	84,239
Less: Provision for impairment of trade receivables	**(9,813)**	(8,115)
Trade receivables, net (note (a))	**95,019**	76,124
Retention money receivable	**15,014**	7,214
Short-term loans to employees (note (b))	**513**	565
Accrued interest	**36**	59
Rental and other deposits	**154**	2,235
Other receivables	**147**	58
	110,883	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:

	2017 HK$'000	2016 HK$'000
0 – 90 days	**72,532**	63,185
91 – 180 days	**9,178**	6,265
181 – 365 days	**8,835**	4,243
1 – 2 years	**3,061**	2,103
Over 2 years	**1,413**	328
	95,019	76,124

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

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**8,115**	6,611
Impairment losses recognised	**531**	1,741
Exchange realignment	**1,167**	(237)
Carrying amount at 31 December	**9,813**	8,115

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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**71,915**	63,219
0 – 90 days	**13,985**	6,231
91 – 180 days	**3,070**	4,243
181 – 365 days	**1,575**	2,103
1 – 2 years	**3,061**	88
Over 2 years	**1,413**	240
	95,019	76,124

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 6.9% (2016: 6.9%) per annum as at 31 December 2017 and repayable within one year from the respective dates of drawdown of loans.

For the year ended 31 December 2016, a provision for impairment on loan to an employee amounting to approximately HK$65,000 was made (note 9). The amount was proved to be irrecoverable and had been written off during 2017. There was no such provision made during the year ended 31 December 2017.

21. LOAN TO ULTIMATE HOLDING COMPANY

Details of loan to ultimate holding company are as follows:

	As at 1 January 2017	As at 31 December 2017	Maximum outstanding amount during the year
	HK$'000	HK$'000	HK$'000
AMS	1,765	–	1,765

The loan to AMS was unsecured, interest bearing at 6.9% (2016: 6.9%) per annum and had been fully settled on 30 May 2017. The loan was denominated in KRW.

22. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2017	2016
	HK$'000	HK$'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**275,381**	163,512
Less: Progress billings	**(268,177)**	(136,975)
	7,204	26,537
Analysed for reporting purposes as:		
Amounts due from contract customers	**9,525**	27,677
Amounts due to contract customers	**(2,321)**	(1,140)
	7,204	26,537

23. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (note (a))	**145,046**	81,338
Accruals and other payables	**7,783**	7,441
Advance receipts	**28**	13
Value-added tax payables	**5,636**	1,676
	158,493	90,468

(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:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**105,133**	54,476
31 – 60 days	**16,359**	18,195
61 – 90 days	**14,359**	4,914
91 – 180 days	**4,736**	2,792
181 – 365 days	**3,661**	359
Over 1 year	**798**	602
	145,046	81,338

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

24. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Unsecured:		
– Bank loans (note (a))	**16,520**	10,959
– Bills payable (note (b))	**–**	3,964
	16,520	14,923
Guaranteed:		
– Bills payable (note (b))	**–**	1,343
Total borrowings due for repayment within one year	**16,520**	16,266

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2017			
Bank A	US$175,078	3-month LIBOR plus 2% per annum	June 2018
Bank B	US$509,346	3-month LIBOR plus 1.42% per annum	April 2018
Bank C	US$373,747	KORIBOR base rate plus 1.47% per annum	April 2018
Bank D	US$330,150	3-month LIBOR plus 0.8% per annum	July 2018
Bank E	US$716,388	3-month LIBOR plus 2.2% per annum	September 2018
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

(b) As at 31 December 2016, bills payable carried interest at 3-month LIBOR plus 1.2% per annum. The carrying amount of bills payable was denominated in US$.

(c) As at 31 December 2017, Korea Credit Guarantee Fund, which is a public financial institution independent of the Group, 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.

25. OBLIGATIONS UNDER FINANCE LEASES

The present value of future lease payments is analysed as:

	2017 HK$'000	2016 HK$'000
Current liabilities	–	31

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

	Total minimum lease payments		Present value of future minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK'000
Amount payable:				
– Within one year	–	32	–	31
Future finance charges:	–	(1)	–	–
Finance lease obligations:	–	31	–	31

During the year ended 31 December 2016, the Group had finance leases for motor vehicles. The lease periods were within three years with effective interest rates ranged from 6.5% to 6.9% per annum. All leases were repayable in fixed monthly principal instalments plus interest and no arrangements were entered into for contingent rental payments. During the year ended 31 December 2017, the Group did not enter into any new finance leases for motor vehicles.

26. 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 95% of the present value of defined benefit obligation which is the standard required reserve under ERBSA as at 31 December 2017 and 2016, Global Telecom must develop a financial stabilisation plan to make up the deficiency within three years.

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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 2017 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 2017 indicate that the Group's obligations under the Plan are 99% (2016: 97%) covered by the Plan assets held by the trustee as at the respective reporting date.

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

	2017 HK$'000	2016 HK$'000
Present value of defined benefit obligations	26,304	20,167
Fair value of plan assets	(26,120)	(19,654)
Defined benefit obligations liability as at 31 December	184	513

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$3,674,000 in contributions to the Plan in 2018.

The Group's contributions for the year ended 31 December 2017 amounted to approximately HK$5,549,000 (2016: HK$5,335,000).

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The principal financial assumptions used in the actuarial valuation as at 31 December 2017 for the purpose of the accounting disclosures were as follows:

	2017	2016
Discount rate	**2.75%**	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 2017:

	2017	2016
Number of staff	**130**	150
Total annual plan salary	**HK$44,539,000**	HK$47,697,000
Average annual plan salary	**HK$343,000**	HK$318,000
Average age (count weighted)	**38.82 years**	37.48 years
Average credited services (count weighted)	**4.55 years**	3.52 years
Expected future working lifetime	**4.77 years**	4.26 years

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

	2017 HK$'000	2016 HK$'000
Current service costs	**4,279**	3,882
Administration costs	**133**	114
Interest on assets	**(616)**	(531)
Interest costs	**497**	428
Settlements	**–**	(459)
Total amount recognised in profit or loss (note 10)	**4,293**	3,434
Actuarial losses (net of tax) recognised in other comprehensive income	**687**	1,057
Total defined benefit costs	**4,980**	4,491

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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 statement of comprehensive income:

	2017 HK$'000	2016 HK$'000
Cost of sales	**2,539**	2,375
Selling and administrative expenses	**1,754**	1,059
	4,293	3,434

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

	2017 HK$'000	2016 HK$'000
Balance as at 1 January	**20,167**	19,029
Pension costs charged to profit or loss:		
Service costs	**4,279**	3,882
Net interest	**497**	428
Sub-total	**4,776**	4,310
Benefits paid	**(2,218)**	(1,504)
Actuarial changes arising from changes in financial assumptions	**(305)**	86
Actuarial changes arising from experience adjustments	**875**	1,108
Settlement gain	**–**	(2,311)
Exchange realignment	**3,009**	(551)
Balance as at 31 December	**26,304**	20,167

The weighted average duration of the defined benefit obligations is 5.00 years (2016: 4.99 years).

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Balance as at 1 January	19,654	17,927
Pension costs charged to profit or loss:		
Administrative costs	(133)	(114)
Net interest	616	531
Sub-total	483	417
Benefits paid	(2,218)	(1,465)
Actuarial changes arising from changes in financial assumptions	(311)	(161)
Contributions from employer	5,549	5,335
Settlement	–	(1,852)
Exchange realignment	2,963	(547)
Balance as at 31 December	26,120	19,654

The assets of the Plan are as follows:

	2017 HK$'000	2016 HK$'000
Term deposit	26,120	19,654

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2017 are set out as follows:

	Percentage change	2017 HK$'000	2016 HK$'000
Discount rate	+1%	(1,193)	(1,010)
	-1%	1,221	1,035
Rate of salary increase	+1%	1,313	1,107
	-1%	(1,289)	(1,086)

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.

27. SHARE CAPITAL

	Notes	Number '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
Initial authorised share capital upon incorporation	(b)	38,000	380
Increase in authorised share capital upon capitalisation	(d)	4,962,000	49,620
At 31 December 2016 and 2017		5,000,000	50,000

		Number '000	Amount HK$'000
Ordinary shares, issued and fully paid:			
At 1 January 2016	(a)	–	3,684
Issue of one share upon incorporation and for group reorganisation	(b)	–	–
Effects of group reorganisation	(c)	1	(3,684)
Issue of shares upon capitalisation	(e)	299,999	3,000
Issue of shares upon placing of shares	(f)	100,000	1,000
At 31 December 2016 and 2017		400,000	4,000

The movements in share capital above for the year ended 31 December 2016 arose from a group reorganisation and completion of the listing of the Company's shares on the Stock Exchange on 8 July 2016 (the "Listing Date") as detailed below:

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

(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 share was allotted and, issued to an initial subscriber, which was then transferred to LiquidTech on the same date at nil consideration.

27. SHARE CAPITAL (CONTINUED)

(c) As part of the group reorganisation, AMS transferred the entire issued share capital of Global Telecom to SuperChips Limited ("SuperChips"), a subsidiary of the Company, 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.

(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 30(a)).

28. 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.

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.

29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**57,639**	57,639
CURRENT ASSETS			
Deposit and prepayments		**25**	1,943
Amounts due from subsidiaries		**20,619**	4,253
Cash and cash equivalent		**10,864**	34,051
		31,508	40,247
CURRENT LIABILITIES			
Accruals		**625**	398
Amount due to a subsidiary		**–**	2,950
		625	3,348
NET CURRENT ASSETS		**30,883**	36,899
NET ASSETS		**88,522**	94,538
CAPITAL AND RESERVES			
Share capital	27	**4,000**	4,000
Reserves	30	**84,522**	90,538
TOTAL EQUITY		**88,522**	94,538

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

30. 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 subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the group 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.

30. RESERVES (CONTINUED)

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

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	–	–	–	–
Issue of ordinary shares by the Company pursuant to the group reorganisation (note 27 (c))	–	57,639	–	57,639
Issue of ordinary shares upon capitalisation (note 27 (e))	(3,000)	–	–	(3,000)
Issue of ordinary shares upon placing of shares (note 27 (f))	57,000	–	–	57,000
Shares issue expense (note 27 (f))	(7,802)	–	–	(7,802)
Loss for the year	–	–	(13,299)	(13,299)
At 31 December 2016 and 1 January 2017	**46,198**	**57,639**	**(13,299)**	**90,538**
Dividends approved in respect of previous year	**(4,600)**	**–**	**–**	**(4,600)**
Loss for the year	**–**	**–**	**(1,416)**	**(1,416)**
At 31 December 2017	**41,598**	**57,639**	**(14,715)**	**84,522**

Note: The contributed surplus of the Company represented 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 group reorganisation.

31. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	% of ownership interest		Principal activities
			2017	2016	
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 services
Future Data	Hong Kong	HK$10,001	**Indirectly 100%**	Indirectly 100%	Provision of system integration and maintenance services

32. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transaction with a related party.

Related party identity and relationship	Type of transaction	2017 HK$'000	2016 HK$'000
AMS, ultimate holding company	Interest income earned from advance made	**48**	56

The interest income earned from AMS in 2017 and 2016 was in respect of advance made after the 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 14.

33. OPERATING LEASE COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Within one year	3,805	3,855
In the second to fifth year, inclusive	4,243	7,335
	8,048	11,190

The Group leases a number of premises under operating leases. The leases run for an initial period of one to five (2016: one to 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.

34. 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

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.

(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 policy has been followed by the Group during the year and is 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

2017

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000
Non-derivatives:			
Trade and other payables	152,829	152,829	152,829
Bank borrowings	16,520	16,593	16,593
	169,349	169,422	169,422

2016

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 24. 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:

	2017 HK$'000	2016 HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points		
+0.5%	(439)	(419)
-0.5%	439	419

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 which are denominated in US$ whereas 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.

In respect of the business operation in Hong Kong, the transactions are primarily denominated in HK$ and US$. Since US$ is pegged to HK$, the corresponding foreign currency risk exposure is considered as minimal. Accordingly, the analysis below is prepared based on Global Telecom's foreign currency risk exposure only.

Summary of exposure

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

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	11,787	1,173
Trade payables	(14,878)	(3,954)
Bank borrowings	(16,520)	(16,266)
Gross exposure from recognised financial assets and liabilities	(19,611)	(19,047)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure (Continued)

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.

	2017	2016
	HK$'000	HK$'000
Changes in exchange rate:		
KRW depreciates by 5% against US$	**(765)**	(743)
KRW appreciates by 5% against US$	**765**	743

The sensitivity analysis for the year ended 31 December 2016 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Categories of financial assets and liabilities

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

	2017 HK$'000	2016 HK$'000
Financial assets		
Non-current		
Available-for-sale financial assets		
– Unlisted equity securities	2,977	2,574
– Insurance policies	1,713	1,455
Current		
Loans and receivables		
– Trade and other receivables	110,883	86,255
– Loan to ultimate holding company	–	1,765
– Pledged bank deposit	3,663	3,214
– Fixed bank deposits	5,275	5,850
– Cash and cash equivalents	141,062	77,970
	265,573	179,083
Financial liabilities		
– Trade and other payables	152,829	88,779
– Bank borrowings	16,520	16,266
– Obligations under finance leases	–	31
	169,349	105,076

35. 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).

35. FAIR VALUE MEASUREMENTS (CONTINUED)

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

2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets (Non-current)				
– Unlisted equity security	–	2,942	–	2,942
– Insurance policies	–	1,713	–	1,713
	–	4,655	–	4,655

2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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

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 2017, the Group's unlisted equity security and insurance policies are grouped under Level 2 (2016: Level 2) category.

There were no transfers between levels during the year.

36. 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 bank borrowings and obligations under finance leases disclosed in notes 24 and 25 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.

The gearing ratios which are determined as total borrowings (i.e. bank borrowings and obligations under finance leases) to total equity of the Group as at 31 December 2017 are as follows:

	2017	2016
	HK$'000	HK$'000
Bank borrowings and obligations under finance leases	16,520	16,297
Total equity	138,206	125,408
Gearing ratio	12%	13%

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowings	Obligations under finance leases	Dividend payable	Total
	HK$000	HK$000	HK$000	HK$000
At 1 January 2017	16,266	31	–	16,297
Dividend declared	–	–	4,600	4,600
Changes from financing cash flows:				
Proceeds from bank borrowings	80,862	–	–	80,862
Repayment of bank borrowings	(82,178)	–	–	(82,178)
Interest paid	(527)	(1)	–	(528)
Repayment of obligations under finance leases	–	(34)	–	(34)
Dividends paid	–	–	(4,600)	(4,600)
Total changes from financing cash flows	(1,843)	(35)	(4,600)	(6,478)
Other changes				
Finance costs	527	1	–	528
Exchange difference	1,570	3	–	1,573
Total other changes	2,097	4	–	2,101
At 31 December 2017	16,520	–	–	16,520

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended 31 December 2017 were approved and authorised for issue by the board of directors on 19 March 2018.

SUMMARY OF FINANCIAL INFORMATION

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the four years ended 31 December 2017, as extracted from the audited consolidated financial statements and the prospectus dated 29 June 2016 issued by the Company is set out below:

	Year ended 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Revenue	**506,490**	524,021	515,704	441,805
Net profit for the year	**5,271**	3,708	8,131	10,775
Assets and liabilities				
Total assets	**316,004**	235,402	222,149	183,387
Total liabilities	**177,798**	109,994	157,796	120,703
Total equity	**138,206**	125,408	64,353	62,684