2018 ANNUAL REPORT

FUTUREDATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

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Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report for which the directors (the "Directors") of Future Data Group Limited (the "Company"), 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

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COMPANY SECRETARY

Ms. Chan Suet Lam

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Chan Suet Lam

AUDITOR

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COMPLIANCE ADVISER

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STOCK CODE

8229

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to inform you that Future Data Group Limited (the "Group") has achieved a 3rd consecutive year of profitability after being listed on GEM of the Stock Exchange of Hong Kong in 2016, by delivering HK$5.8 million of profit after tax for the year 2018.

Here is my report of the Group's financials for 2018:

The Group has won more market share in Korea and Hong Kong by recording HK$605.2 million of revenue for the year ended 31 December 2018, which was an increase of approximately HK$98.7 million or close to 19.5% growth year-on-year. Our gross profits for the year also went up by more than 35.4%, whereas selling and administrative expenses only grew by 28.3%, a lesser percentage compared to gross profit. This shows our ability to control costs while growing market share resulting in the profit before income tax of more than HK$10.3 million and profit after tax of HK$5.8 million stated above.

The Group's net assets and shareholder equity stood at approximately HK$135.7 million as at 31 December 2018, or equity per share of approximately 33.9 Hong Kong cents per share (total share capital: 400,000,000 shares). This was slightly lower than that of 2017, due to an exchange loss on translation resulting from unfavourable movement of South Korean Won against Hong Kong dollars.

Our operations generated more than HK$21.5 million of cash inflow from operating activities before working capital changes and income tax paid. Combined with that for 2017, the Group's accumulative cash flows from operating activities before working capital changes (presented as "operating profit before working capital changes" in the consolidated statement of cash flows on page 60 of this annual report) for the past 2 years were more than HK$35.7 million, showing impressive free cash flow and indicating our financial strength to support business expansion beyond Korea and Hong Kong markets using internal resources.

As a result of higher working capital changes and income tax paid, our net cash and cash equivalents stood at HK$136.1 million as at 31 December 2018, or cash per share of approximately 34.0 Hong Kong cents. We have managed very well the key financial parameters that is to collect more monies from customers, control costs and stretch supplier payments, all of which contributed to achieve the amount of cash and cash equivalents stated above. Just for your information, this amount of net cash and cash equivalents was again the one of the highest in our corporate history, if not for unfavourable exchange rate movement stated above.

Below are other notable highlights for 2018:

During the year, we have announced that the Republic of Korea Navy Headquarters ("ROKN") has selected the Group's wholly-owned subsidiary, Global Telecom Company Limited ("Global Telecom"), as the main contractor to design, build and deploy a new Meteorological Information System for a contract sum of approximately HK$19 million. Having won and delivered the contract and being on the vendor list of ROKN, Global Telecom can participate in the Navy's joint-defense budget of Information System category, which is worth HK$700 million annually.

We have also won the second contract from District Government of Republic of Korea to design, build and deploy Big Data Video Information Analysis System for Seocho district for a contract sum of approximately HK$11.3 million. This was on the heel of a similar Big Data contract we have won previously at Siheung district, and as parts of the government national strategic initiative in making road safety project deployed in 80 districts across the land. This second contract won placed Global Telecom on top of the vendor list of the government for this particular initiative, which is budged at approximately HK$800 million over the next few years.

We have also delivered numerous cyber security projects in Hong Kong, amounting to a total of HK$24.2 million contribution to the Group's total revenue. These projects were to assist Hong Kong based enterprises in airlines, logistics, insurance, and financial services industry to guard against cyber-attacks and deter cyber-crimes. These cyber security services are related to (1) compliance advisory for international standards in cyber security, payment card processing and Hong Kong financial and insurance regulation; (2) simulated attack, vulnerability testing, and penetration testing services; and (3) monitoring and managed security services using our own software, we have renamed Black Diamond.

As you can see our investments in software intellectual properties for Big Data and Cyber Security applications begin to bear fruits.

We have now lowered the geographical concentration risk from a single operation in Korea as mentioned in my previous statements, by delivering business results and stable operation in Hong Kong. In light of this success, the Group shall continue to expand our geographical coverage by looking at business opportunities in the Southeast Asia market during 2019. We are particularly in favour of Singapore and Vietnam markets. This is to form a regional technology services company to better serve Asian Multinational Corporations and Asia-based Global Enterprises which will come to Hong Kong and Singapore.

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 be transparent and cooperative to ensure sustainable and healthy development for the Group. To all of you, we shall work harder and smarter to deliver increasing return of your investment in the Group.

On behalf of the Board, I would like to express my gratitude to all management team and staff members for their continued support and contribution to the Group during the year. And I am looking forward to a 4th consecutive profitable year in 2019.

Suh Seung Hyun
Chairman

15 March 2019

STATEMENT OF PROFIT OR LOSS ANALYSIS

	2018	2017	Change	Change
	HK$'000	HK$'000	HK$'000	%
Revenue	**605,161**	506,490	98,671	19.5
Cost of sales and services	**(508,743)**	(435,259)	73,484	16.9
Gross profit	**96,418**	71,231	25,187	35.4
Other income	**2,154**	4,829	(2,675)	(55.4)
Selling and administrative expenses	**(87,206)**	(67,974)	19,232	28.3
Finance costs	**(1,017)**	(528)	489	92.6
Profit before income tax	**10,349**	7,558	2,791	36.9
Income tax expense	**(4,591)**	(2,287)	2,304	100.7
Profit for the year	**5,758**	5,271	487	9.2

REVENUE

For the year ended 31 December 2018, the Group recorded total revenue of HK$605.2 million, which was approximately HK$98.7 million or 19.5% higher than the revenue of HK$506.5 million reported in 2017. The increase in Group's revenue was attributable to the increase in revenue from both Korea and Hong Kong operations.

Revenue derived from system integration segment was HK$462.1 million representing 76.4% of the total revenue, whereas revenue from maintenance services segment was HK$143.0 million or 23.6% of total revenue in 2018.

Revenue contribution from Korea operation was HK$581.0 million representing 96.0% of the total revenue of the Group, whereas Hong Kong operation contributed HK$24.2 million or 4.0% of the total revenue of the Group.

The increase in revenue was due to higher demand for deployment and installation of new network to support advanced technologies, such as Meteorological Information System for Republic of Korea and Big Data Video Information Analysis System for Korea Government in Seocho district.

The revenue increase was also attributable to deployment of new system for cyber security. The successive global emergence of cyber security vulnerabilities has raised public awareness on the need of cyber security. With the view to prevent a huge loss from data leakage or cyber attacks, the budgeted expenditure on enhancement of security network and cyber security services has an upward trend. The Group's revenue from provision of security increased by HK$40.3 million from HK$112.7 million for the year ended 31 December 2017 to HK$152.9 million for the year ended 31 December 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by 35.4%, from HK$71.2 million for the year ended 31 December 2017 to HK$96.4 million for the year ended 31 December 2018. The increase of gross profit was attributable to the growth of high margin cyber security business.

As a result, the Group's gross profit margin slightly improved from 14.1% for the year ended 31 December 2017 to 15.9% for the year ended 31 December 2018. Such increase was mainly due to the increased proportion of service business which typically has higher gross margins compared to system integration business.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses were approximately HK$87.2 million for the year ended 31 December 2018, representing an increase of HK$19.2 million or 28.3% when compared to HK$68.0 million for the year ended 31 December 2017. The increase was mainly due to the increment of employee costs and an incentive commission paid during the year.

PROFIT FOR THE YEAR

As a result of 35.4% increase in gross profit and relatively lower increase in selling and administrative expenses of 28.3%, profit before income tax stood at HK$10.3 million in 2018 which is HK$2.8 million or 36.9% higher than that of 2017.

Income tax provision has also gone up in line with increase in profit before income tax. In 2018, we provided for HK$4.6 million of tax payable mainly by Korea operation. Profit for the year increased by HK$0.5 million or 9.2% to HK$5.8 million for the year ended 31 December 2018 when compared to HK$5.3 million for the year ended 31 December 2017. Such increase was primarily due to the increase in profit before income tax described above.

STATEMENT OF FINANCIAL POSITION ANALYSIS

	2018	2017	Change	Change
	HK$'000	HK$'000	HK$'000	%
Property, plant and equipment	**6,858**	7,765	(907)	(11.7)
Intangible assets	**12,319**	11,698	621	5.3
Other financial assets	**4,810**	4,690	120	2.6
Guarantee deposits	**4,531**	5,096	(565)	(11.1)
Deferred tax assets	**6,053**	3,604	2,449	68.0
Non-current assets	**34,571**	32,853	1,718	5.2
Inventories	**6,337**	7,854	(1,517)	(19.3)
Trade and other receivables	**131,133**	110,883	20,250	18.3
Tax recoverable	**–**	762	(762)	(100.0)
Amount due from ultimate holding company	**5,874**	–	5,874	100.0
Amounts due from contract customers	**–**	9,525	(9,525)	(100.0)
Contract assets	**21,595**	–	21,595	100.0
Prepayments	**6,438**	4,127	2,311	56.0
Pledged bank deposit	**3,486**	3,663	(177)	(4.8)
Fixed bank deposits	**4,461**	5,275	(814)	(15.4)
Cash and cash equivalents	**136,134**	141,062	(4,928)	(3.5)
Current assets	**315,458**	283,151	32,307	11.4
Trade and other payables	**180,721**	158,493	22,228	14.0
Amounts due to contract customers	**–**	2,321	(2,321)	(100.0)
Contract liabilities	**5,563**	–	5,563	100.0
Bank borrowings	**23,224**	16,520	6,704	40.6
Tax payable	**3,893**	–	3,893	100.0
Deferred tax liabilities	**–**	280	(280)	(100.0)
Current liabilities	**213,401**	177,614	35,787	20.1
Defined benefit obligations	**942**	184	758	412.0
Non-current liabilities	**942**	184	758	412.0
Net assets	**135,686**	138,206	(2,520)	(1.8)

NON-CURRENT ASSETS

As at 31 December 2018, the Group recorded non-current assets of HK$34.6 million representing an increase of approximately HK$1.7 million when compared to that as at 31 December 2017 of HK$32.9 million. This was mainly due to an increase in deferred tax assets by approximately HK$2.4 million arising from deductible temporary differences from impairment of trade receivables under ECL model upon adoption of HKFRS 9, provision for incentive bonus and impairment of inventories.

The intangible assets were constituted by three distinct intellectual properties with cyber security, big data and internet of things. During the year, the Group has allocated resources on intellectual properties development to create new features which can be applied to our existing intellectual properties and an amount of HK$3.6 million was capitalised. As at 31 December 2018, the balance of intangible assets was HK$12.3 million. The Group made investments in these software intellectual properties in the last two years and began to see positive result in increase of cyber security revenue and big data related revenue as described in Revenue section. The management team is positive that the software intellectual properties investment presented in these non-current assets will contribute to even better revenue for the Group in 2019 and beyond.

CURRENT ASSETS

As at 31 December 2018, the Group recorded HK$315.5 million in current assets which was HK$32.3 million higher than that as at 31 December 2017. This was a combination of increase in trade and other receivables to HK$131.1 million and increase in contract assets to HK$21.6 million at the end of 2018.

The Group continued to record its relatively strong cash position at the end of this year as compared to last year. As at 31 December 2018, the Group's cash and cash equivalents balance was HK$136.1 million, slightly decreased by 3.5% or HK$4.9 million when compared to the balance in last year. This decrease was caused by the effect of exchange rate translation.

CURRENT LIABILITIES

In tandem with the increase in current assets, the Group's current liabilities has increased by HK$35.8 million to HK$213.4 million as at 31 December 2018. This was mainly due to the increase in trade and other payables to HK$180.7 million as at 31 December 2018, which represented 84.7% of total current liabilities. The management team was able to stretch payments to our suppliers or venders as at the end of 2018.

As at 31 December 2018, the Group's bank borrowings stood at HK$23.2 million which was HK$6.7 million higher than that as at 31 December 2017.

NON-CURRENT LIABILITIES

The Group has no significant non-current liabilities as at 31 December 2018.

NET ASSETS

As a result, the Group's net assets stood at HK$135.7 million as at 31 December 2018, which was HK$2.5 million lower than that as at 31 December 2017.

Due to the unfavourable movement of South Korean Won against Hong Kong dollars, the Group recorded an exchange loss on translation of foreign operation of approximately HK$5.4 million for the year ended 31 December 2018 which significantly eroded the total comprehensive income generated by the Group during the year.

With the negative impact from the adoption of HKFRS 9 and the actuarial loss on defined benefit obligations, the Group's net assets suffered a decrease by HK$2.5 million.

STATEMENT OF CASH FLOWS ANALYSIS

	2018	2017	Change	Change
	HK$'000	HK$'000	HK$'000	%
Profit before income tax expenses	**10,349**	7,558	2,791	36.9
Total adjustments	**11,177**	6,601	4,576	69.3
Operating profit before working capital changes	**21,526**	14,159	7,367	52.0
Changes on:				
– Guarantee deposits	**325**	14	311	2,221.4
– Inventories	**(1,996)**	(1,204)	792	65.8
– Trade and other receivables	**(29,355)**	(12,949)	16,406	126.7
– Amounts due from contract customers	**–**	20,740	(20,740)	(100.0)
– Contract assets	**(12,816)**	–	12,816	100.0
– Prepayments	**(2,535)**	641	(3,176)	(495.5)
– Trade and other payables	**30,789**	51,452	(20,663)	(40.2)
– Amounts due to contract customers	**–**	962	(962)	(100.0)
– Contract liabilities	**3,430**	–	3,430	100.0
– Defined benefit obligations	**(812)**	(1,258)	(446)	(35.5)
Cash generated from operations	**8,556**	72,557	(64,001)	(88.2)
Income taxes paid	**(2,894)**	(4,651)	(1,757)	(37.8)
Income taxes refunded	**833**	–	833	100.0
Interest received	**417**	228	189	82.9
Net cash from operating activites	**6,912**	68,134	(61,222)	(89.9)

	2018	2017	Change	Change
	HK$'000	HK$'000	HK$'000	%
Purchases of intangible assets	–	(10,973)	(10,973)	(100.0)
Research and development expenditures	(3,580)	–	3,580	100.0
Purchases of property, plant and equipment	(3,073)	(1,591)	1,482	93.1
Proceeds from disposal of other financial assets	–	101	(101)	(100.0)
Purchases of other financial assets	(315)	(97)	218	224.7
Proceeds from disposal of property, plant and equipment	18	241	(223)	(92.5)
Decrease in fixed bank deposits	570	1,311	(741)	(56.5)
Increase in amount due from ultimate holding company	(5,874)	–	5,874	100.0
Decrease in loan to ultimate holding company	–	1,765	(1,765)	(100.0)
Net cash used in investing activities	(12,254)	(9,243)	3,011	32.6
Proceeds from bank borrowings	108,377	80,862	27,515	34.0
Repayments of bank borrowings	(100,503)	(82,178)	18,325	22.3
Interest paid	(1,010)	(528)	482	91.3
Repayments of obligations under finance leases	–	(34)	(34)	(100.0)
Dividend paid	–	(4,600)	(4,600)	(100.0)
Net cash generated from/(used in) financing activities	6,864	(6,478)	13,342	206.0
Net increase in cash and cash equivalents	1,522	52,413	(50,891)	(97.1)
Cash and cash equivalents at beginning of year	141,062	77,970	63,092	80.9
Effect of exchange rate changes	(6,450)	10,679	(17,129)	(160.4)
Cash and cash equivalent at end of year	136,134	141,062	(4,928)	(3.5)

CASH FLOWS FROM OPERATING ACTIVITIES

The Group generated HK$21.5 million positive cash flows from operating activities before working capital changes and income tax paid in 2018 which was HK$7.4 million higher than that in 2017. However, due to higher changes in working capital and income tax paid, the net cash flows from operating activities was much lower.

The cash flows generated from operating activities decreased by HK$61.2 million or 89.9% when compared to 2017 but the Group was able to maintain a positive cash flows of HK$6.9 million for the year ended 31 December 2018. The decrease in positive cash flows generated from operating activities was mainly due to the increase in contract assets which resulted in negative cash flows of approximately HK$12.8 million, decrease in collection of trade receivables and smaller increase in trade payables in 2018 relative to 2017.

CASH FLOWS FROM INVESTING ACTIVITIES

The Group recorded net cash outflows from investing activities of HK$12.3 million for the year ended 31 December 2018 which was HK$3.0 million more than that of 2017 due to the continuous investments injected to existing businesses and increase in amount due from ultimate holding company. During the year, cash used in research and development and purchases of property, plant and equipment was HK$3.6 million and HK$3.1 million respectively.

As mentioned before in Non-current assets section, this continuous investment has resulted in an increase in revenue for 2018.

CASH FLOWS FROM FINANCING ACTIVITIES

The Group generated positive net cash inflows of HK$6.9 million from financing activities, which was attributable to the increase in proceeds from bank borrowings of HK$108.4 million less repayments of HK$100.5 million in 2018.

As a result, the Group generated a net increase in cash and cash equivalents of HK$1.5 million for 2018.

However, due to unfavourable effect of exchange rate changes, the Group's cash and cash equivalents slightly decreased by HK$4.9 million or 3.5% to approximately HK$136.1 million as at 31 December 2018 compared to that of 2017.

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2018, the Group's net current assets were HK$102.1 million showing a strong liquidity. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 1.5 times (as at 31 December 2017: 1.6 times).

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 31 December 2018, the gearing ratio was 17.1% (as at 31 December 2017: 12.0%). The increase was due to additional unsecured bank borrowings of approximately HK$6.7 million. The Group had variable rate bank borrowings of approximately US$3.0 million, which were equivalent to approximately HK$23.2 million (as at 31 December 2017: approximately HK$16.5 million). Certain banking borrowings are guaranteed by Korea Credit Guarantee Fund, which is a public financial institution independent of the Group.

As at 31 December 2018, the Group had total cash and cash equivalents of HK$136.1 million (as at 31 December 2017: approximately HK$141.1 million), which included cash and cash equivalents in South Korean Won ("KRW") of KRW 16,776.0 million, in US dollars ("US$") of US$ 2.3 million, and in Hong Kong dollars of HK$1.0 million.

The above reflected that the Group has healthy liquidity and adequate financial resources.

Foreign Exchange Exposure

The Group's exposures to currency risk mainly arise from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are denominated in US$). In preparing the costing of our system integration project in which procurement of components in US$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US$ between the costing date and the relevant settlement date. In view of the relatively limited size of each individual US$ denominated purchase transaction, we do not find it beneficial and justifiable to enter into foreign exchange hedging transaction for each of such purchases, and as a result, we decided the timing to purchase US$ to settle such purchases at our own discretion. In 2018, the Group recorded net exchange gain of HK$0.6 million.

Charges on Group's Assets

As at 31 December 2018, a fixed deposit amounting to HK$3.5 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.

Material Investments and Capital Assets

The Group did not have any material investments and capital assets for the year ended 31 December 2018.

The carrying amount of the Group's unlisted equity securities as at 31 December 2018 accounted for approximately 0.8% of the Group's total assets and was not significant. The unlisted equity securities mainly represented the investment in KSFC (a cooperative established pursuant to the Software Industry Promotion Act with the purpose of promoting the development of the IT industry in Korea) for its membership. Depending on the amount of investment in KSFC, a member of KSFC is granted a certain amount of guarantee limit by KSFC for use in its operation.

The Group has no plans for material investment or capital assets as at 31 December 2018.

Significant Acquisitions and Disposals

The Group did not have any significant acquisition and disposal during the year ended 31 December 2018.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2018.

Business Review

Set out below were the details of the movement of the number of system integration projects up to 31 December 2018.

Number of projects as at 1 January 2018	31
Number of new projects awarded during the year	814
Number of projects completed during the year	(798)
Number of projects as at 31 December 2018	47

System integration business has continuously been our main stream of income, which represented 76.4% of the Group's revenue. Benefiting from the political improvement in Korea, our Korea operation has won 814 new system integration projects during the year in 2018. The number of projects was 186 more than that in 2017 which was the main factor to drive the revenue up by HK$45.3 million or 10.9% from HK$416.9 million for the year ended 31 December 2017 to HK$462.1 million for the year ended 31 December 2018. At the end of the reporting period, the Group possessed a backlog of system integration projects, amounting to HK$34,379,000.

Maintenance services segment comprised system maintenance services business and cyber security service business. For the year ended 31 December 2018, revenue of the Group generated from maintenance services was approximately HK$143.0 million, representing an increase of approximately HK$53.4 million or 59.6% when compared to last year. The increase in revenue was mainly due to an entire year of business in Hong Kong operation. Our Group was inspired by this notable increase in revenue and the high profitability of this segment. For the year ended 31 December 2018, the gross margin of this segment was 33.4% representing an increase by 6.6% when compared to 2017. The gross profit dramatically increased by HK$23.7 million or 98.7% from HK$24.0 million for the year ended 31 December 2017 to HK$47.7 million for the year ended 31 December 2018.

Key performance indicators

	2018	2017	Change
	KRW'million	KRW'million	%
Average productivity per operating staff – Korea	911/employee	879/employee	+ 3.6%
	HK$'000	HK$'000	%
Average productivity per operating staff – Hong Kong	1,343/employee	1,326/employee	+ 1.3%
	KRW'million	KRW'million	%
Average contract price of system integration project	80/project	80/project	0%
	Number of projects	Number of projects	Number of projects
Number of new system integration projects awarded	814	628	+ 186

Average productivity per operating staff has been improved in 2018 by 3.6% and 1.3% in Korea operation and Hong Kong operation respectively. Average contract price for system integration project remained stable at KRW 80 million in 2018.

Prospects

In view of the achievement in security business which contributed HK$152.9 million revenue to the Group for the year ended 31 December 2018, or an increase by HK$40.3 million or 35.8% compared to the corresponding period in 2017 and increase in customer demand for cyber security services in Hong Kong, Korea and the rest of Asia-Pacific region, the Group expected that the cyber security business will expand even faster. In additions, the better market sentiment in Korea market as a result of better political relationship between North and South Korea, which may result in higher investment in network and cloud infrastructure by government agencies and enterprises in Korea. Combining the possible expansion of cyber security business; and increase in investment in network and cloud infrastructure, the management team expects another profitable year in 2019, baring any unforeseen circumstances.

Employees and Remuneration Policy

As at 31 December 2018, the Group had an aggregate of 166 (31 December 2017: 157) 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 employee costs, including Directors' emoluments, amounted to approximately HK$86.7 million for the year ended 31 December 2018 (31 December 2017: approximately HK$70.3 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 2018, no share option had been granted.

Use of Proceeds

In response to changing business environment and business development requirement of the Group, the Board has resolved to revise the proposed use of the proceeds from the placing for reasons as more fully explained in the Company's announcement dated 4 September 2017.

The net proceeds from the placing were used as follows:

Use of proceeds		Planned use of net proceeds from 5 September 2017 up to 31 December 2018	Actual use of net proceeds up to 31 December 2018
		(HK$ million)	(HK$ million)
1)	Setting up new service points in the cities of Busan, Jeonju and Gangneung in Korea	12.9	–
2)	General working capital	1.5	1.5
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	3.4
4)	Setting up new office in Hong Kong	1.8	0.8
Total:		31.6	16.4

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Suh Seung Hyun (徐承鉉)

Mr. Phung Nhuong Giang (馮潤江)

EXECUTIVE DIRECTORS

Mr. Suh Seung Hyun (徐承鉉), aged 49, 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 21 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.

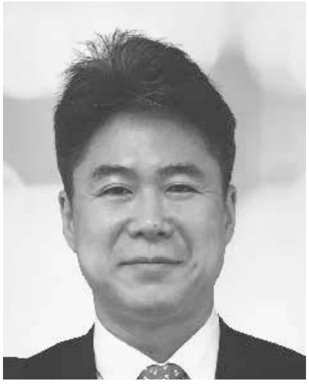
EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang (馮潤江), aged 57, 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 30 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 48, 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 22 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 45, 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 17 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 71, 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 47, was appointed as our independent non-executive Director on 2 November 2016 and is the chairman of our audit committee. Mr. Sum has over 22 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 68, 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 34 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. Ko Jae Seok (高在錫)

SENIOR MANAGEMENT

Mr. Ko Jae Seok (高在錫), aged 46, 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 19 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 41, 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 15 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 46, 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 20 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.

Mr. Soh Jeffrey Chow Hock

SENIOR MANAGEMENT

Mr. Jeffrey Soh, aged 34, is the head of cyber security team. Mr. Soh is principally responsible for leading a team of CREST-certified security consultants to deliver advanced network exploitation exercises for our global clients.

Mr. Soh has over 13 years of experience in professional penetration testing and consultancy. As well as being the only CREST Certified Simulated Attack Specialist (CCSAS) in Hong Kong (as of March 2019), he is also a qualified assessor contracted by CREST to deliver the examinations in Hong Kong.

Prior to joining our Group in 2017, Mr. Soh resided in the United Kingdom working for NCC Group, one of the largest cyber security firms in the world. Throughout his years working as a professional penetration tester, he has led teams of security consultants to deliver a multitude of security assessments for major corporations and government authorities.

Mr. Fan Chi San (樊志生)

SENIOR MANAGEMENT

Mr. Fan Chi San (樊志生), aged 39, is the financial controller of the Company. He has joined the Company in May 2018 and is principally responsible for managing the finance and accounting operations of the Company.

Mr. Fan has over 10 years of experience in auditing and 5 years of experience in financial accounting. He obtained a Bachelor degree in Accountancy from University of Bolton in 2007 and is a fellow member of the Association of Chartered Certified Accountants.

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 in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has applied the principles as set out in the CG Code. Throughout the year ended 31 December 2018, 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 2018.

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 Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

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 18 to 20 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 2018, 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 2018:

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	B, C
Mr. Yung Kai Tai	A

A Attending in-house briefing organised 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.

On 31 December 2018, the Board adopted the revised terms of reference of the Audit Committee by a resolution passed on the same date. Such revised terms of reference is posted on the website of the Stock Exchange and of the Company.

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 and the internal audit function, 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 three independent non-executive Directors, namely Mr. Sum Chun Ho, Mr. Wong Sik Kei and Mr. Yung Kai Tai. Mr. Sum Chun Ho is the chairman of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 December 2018, the Audit Committee held four meetings, to review the remuneration, terms of engagement and independence of the Company's external auditors, review the risk management and internal control systems and internal audit function, the arrangements for employees to raise concerns about possible improprieties, the Group's annual financial results and report for the year ended 31 December 2017; quarterly financial results and report for the three months and nine months ended 31 March 2018 and 30 September 2018 respectively; and interim financial results and report for the six months ended 30 June 2018 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 2018 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 consists of three members, Mr. Phung Nhuong Giang, executive Director, Mr. Wong Sik Kei and Mr. Yung Kai Tai, independent non-executive Directors. Mr. Wong Sik Kei is the chairman of the Remuneration Committee.

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

During the year ended 31 December 2018, the Remuneration Committee held one meeting, to review the remuneration packages of Directors and senior management as well as the Company's policy and structure for the remuneration of Directors and senior management.

Nomination Committee

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

The Nomination Committee consists of three members, Mr. Phung Nhuong Giang, executive Director, Mr. Yung Kai Tai and Mr. Wong Sik Kei, independent non-executive Directors. Mr. Yung Kai Tai is the chairman of the Nomination Committee.

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

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

During the year ended 31 December 2018, the Nomination Committee held one meeting, to review the structure, size and composition of the Board, the Board diversity policy and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

During the year, the Board has also adopted a director nomination policy, which sets out the criteria and procedure in the nomination and appointment of Directors.

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 2018 are as follows:

Remuneration bands	Number of Individuals
HK$ Nil to HK$1,000,000	5
HK$ 1,000,001 to HK$1,500,000	1

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 2018 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	4/4	N/A	N/A	N/A	1/1
Mr. Phung Nhuong Giang	4/4	N/A	1/1	1/1	1/1
Mr. Lee Seung Han	4/4	N/A	N/A	N/A	1/1
Mr. Ryoo Seong Ryul	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Wong Sik Kei	4/4	4/4	1/1	1/1	1/1
Mr. Sum Chun Ho	4/4	4/4	N/A	N/A	1/1
Mr. Yung Kai Tai	4/4	4/4	1/1	1/1	1/1

Four regular board meetings were held during the year ended 31 December 2018.

On 19 March 2018 and 15 March 2019, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other Directors.

Independent non-executive Directors have attended the AGM held in 2018 to gain and develop a balanced understanding of the view of Shareholders.

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, analysing, 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 unauthorised access and use of information are strictly prohibited.

During the year ended 31 December 2018, 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 2018.

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 49 to 54.

AUDITOR'S REMUNERATION

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

During the year ended 31 December 2018, the total fees paid/payable in respect of audit services provided by BDO Limited was approximately HK$1,052,000 and no non-auditing services were provided by the external auditor.

COMPANY SECRETARY

During the period from 1 January 2018 to 14 May 2018, Ms. Ng Pui Fan, former financial controller of the Company, had been appointed as the company secretary of the Company. With effect from 15 May 2018, the Company had engaged Tricor Services Limited as external service provider and Ms. Cheung Yuet Fan had been appointed as the company secretary of the Company to fill the vacancy arising from the resignation of Ms. Ng Pui Fan. With effect from 31 August 2018, Ms. Chan Suet Lam ("Ms. Chan") of Tricor Services Limited had been appointed as the company secretary of the Company in place of Ms. Cheung Yuet Fan. Ms. Chan's primary contact person at the Company is Mr. Phung Nhuong Giang, Deputy Chairman of the Company.

Details of the above changes of company secretary can be referred to in the announcements of the Company published on the website of the Stock Exchange and of the Company on 15 May 2018 and 31 August 2018 respectively.

Ms. Chan is responsible for providing advice to the Company on corporate governance matters and relevant updates on applicable laws, rules and regulations so as to uphold good corporate governance practices of the Company. 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 Suite 1507-08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, 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:	Suite 1507-08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Email:	enquiry@futuredatagroup.com
Fax:	(852) 2907 0003

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a policy on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to the Shareholders.

In recommending the declaration and payment of dividend, the Board shall consider all relevant internal and external factors which include, but not limited to, financial results, liquidity position, capital requirements, general market and economic conditions, as well as our shareholders' interests.

The recommendation of any final dividend for a financial year will be subject to shareholders' approval at general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 December 2018. 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 2018.

PRINCIPAL ACTIVITIES

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

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 107 to 112 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year and the financial position of the Company and of the Group as at 31 December 2018 are set forth in the consolidated financial statements on pages 55 to 155 of this annual report.

The Directors have declared a final dividend for the year ended 31 December 2018 of HK cents 1.47 per ordinary share to Shareholders whose names appear on the Register of Members of the Company on 22 May 2019 (2017: Nil).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2018, 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 17. 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 2018 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 2018, approximately HK$462.1 million (2017: HK$416.9 million) of our revenue was generated from our system integration projects, representing approximately 76.4% (2017: 82.3%) of our total revenue. 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, 2019.

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 2018.

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 2018, our largest customer accounted for approximately 8.5% (2017: 11.6%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 28.3% (2017: 34.3%).

For the year ended 31 December 2018, our largest supplier accounted for approximately 16.2% (2017: 14.9%) 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 34.0% (2017: 37.7%).

For the year ended 31 December 2018, our largest subcontractor amounted to approximately 16.0% (2017: 19.2%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 47.7% (2017: 74.4%).

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 five financial years, as extracted from the audited consolidated financial statements or the prospectus dated 29 June 2016 (the "Prospectus"), is set out on page 156 of this annual report. This summary does not form part of the consolidated financial statements for the year.

PROPERTY, PLANT AND EQUIPMENT

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

INTANGIBLE ASSETS

Details of movements in intangible assets of the Group during the year are set out in note 17 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 2018, 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 2018).
4. Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.
5. The period within which the shares must be taken up under an option	A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme.
6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The payment or remittance of HK$1.00 within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.
8. The basis of determining the exercise price	Being determined by the Board and shall be at least the highest of:– (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date.
9. The remaining life of the Scheme	The Scheme is valid and effective for a period of ten (10) years commencing on 21 June 2016 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since the adoption of the Scheme.

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 and Compliance Officer)*
Mr. Ryoo Seong Ryul *(Chief Financial Officer)*

Independent non-executive Directors

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

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 84(1) and 84(2) of the Articles, Mr. Suh Seung Hyun, Mr. Wong Sik Kei and Mr. Sum Chun Ho 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 18 to 22 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the amount due from ultimate holding company disclosed in note 22 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 2018.

MANAGEMENT CONTRACTS

During the year ended 31 December 2018, 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 2018 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 2018, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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%

Notes:

(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 2018 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2018, 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 2018, 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 2018 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2018, 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 2018, 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 2018.

During the year ended 31 December 2018, the Group has a related party transaction as set out in note 22 to the consolidated financial statements. The related party transaction disclosed in note 22 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 2018. 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 2018.

DONATIONS

Charitable or other donations made by the Group during the year ended 31 December 2018 amounted to approximately HK$7,000.

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 2018 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 Friday, 3 May 2019 to Wednesday, 8 May 2019 (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, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 May 2019.

For entitlement of proposed final dividend

The register of members of the Company will be closed from Monday, 20 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

USE OF PROCEEDS

The use of proceeds from the placing are set forth in Management Discussion and Analysis on page 17 of this annual report.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus with the Group's actual business progress from 8 July 2016 to 31 December 2018 ("Review Period") is set out below:

Business strategies	Implementation activities	Sources of funding during the Review Period	Actual business progress during the Review Period
Expanding market share by setting up new service points	– Setting up an office in Busan City, Jeonju City and Gangneung City	– Listing proceeds of approximately HK$6.8 million	– Setting up an offices was further prolonged to 2019 as the Group was not able to identify a suitable location under the Review Period.
	– Acquiring maintenance equipment to support our maintenance service in Busan City, Jeonju city and Gangneung City	– Listing proceeds of approximately HK$3.7 million and our internal resources	– Purchase of maintenance equipment was prolonged until the offices are being located and set up.
	– Acquiring testing equipment for performance check of the integrated systems	– Listing proceeds of approximately HK$2.4 million	– Purchase of testing equipment was prolonged until the offices are 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 began to see positive result in the Group's revenue.
	– 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$3.4 million and contributed brilliant profit margins to the Group's cyber security business in Hong Kong operations since 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 and Hong Kong, 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 2019.

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 2018.

The Company has not changed its external auditor during the year ended 31 December 2018 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 2018 to the date of this annual report, no significant events have occurred.

On Behalf of the Board

Suh Seung Hyun
Chairman

15 March 2019

INDEPENDENT AUDITOR'S REPORT

BDO

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TO THE SHAREHOLDERS OF FUTURE DATA GROUP LIMITED
(incorporated in the 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 55 to 155, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 MATTERS

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were 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 these matters.

Revenue recognition from contracts for system integration

(refer to notes 4.9A, 5, 6 and 7 to the consolidated financial statements)

For the year ended 31 December 2018, the Group recognised revenue of approximately HK$605,161,000 (2017: HK$506,490,000), of which HK$462,142,000 (2017: HK$413,002,000) 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 input method which requires estimation made by management for each project based on the followings:

– Budgeted contract costs; and

– Expected costs 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 input 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;

– Assessed the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers;

– 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 sample basis the calculation of revenue recognised during the year based on the input method.

Impairment assessment on trade receivables

(refer to notes 2(a)A(i), 4.7A(ii), 5, 21 and 34(a) to the consolidated financial statements)

The Group has adopted HKFRS 9 on 1 January 2018. The key changes arising from the adoption of HKFRS 9 are that the Group's credit losses are now estimated based on an expected credit loss model rather than an incurred loss model.

In respect of impairment allowance on trade receivables, the difference between the previously reported carrying amounts and the new carrying amounts of impairment allowances as at 31 December 2017 and 1 January 2018 was HK$2,096,000 and has been recognised in the opening retained profits. As at 31 December 2018, gross trade receivables and its related impairment allowances amounted to HK$141,453,000 and HK$12,852,000 respectively. The assessment of impairment for trade receivables involves significant management judgements and estimates on the amount of expected credit losses at the reporting date. In determining the impairment assessment on trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivable, and also forward-looking analysis.

Our response

Our procedures in relation to the impairment assessment on trade receivables included:

- Evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses;

- Obtained an understanding of the Group's credit risk management and practices, and assessed the Group's impairment provision policy in accordance with the requirements of HKFRS 9;

- Assessed, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant invoices;

- Assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and

- Assessed the reconciliations of closing HKAS 39 impairment balances as at 31 December 2017 to the HKFRS 9 loss allowances as at 1 January 2018.

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 those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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, 15 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**605,161**	506,490
Cost of sales and services		**(508,743)**	(435,259)
Gross profit		**96,418**	71,231
Other income	8	**2,154**	4,829
Selling and administrative expenses		**(87,206)**	(67,974)
Finance costs	9	**(1,017)**	(528)
Profit before income tax	10	**10,349**	7,558
Income tax expense	12	**(4,591)**	(2,287)
Profit for the year		**5,758**	5,271
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Recognition of actuarial losses on defined benefit obligations		**(1,245)**	(687)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of other financial assets		**–**	31
Exchange differences arising on translation of foreign operations		**(5,350)**	12,783
Total other comprehensive income		**(6,596)**	12,127
Total comprehensive income for the year		**(837)**	17,398
Earnings per share – Basic and Diluted (HK cents)	14	**1.44**	1.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	6,858	7,765
Intangible assets	17	12,319	11,698
Other financial assets	18	4,810	4,690
Guarantee deposits		4,531	5,096
Deferred tax assets	19	6,053	3,604
		34,571	32,853
Current assets			
Inventories	20	6,337	7,854
Trade and other receivables	21	131,133	110,883
Tax recoverable		–	762
Amount due from ultimate holding company	22	5,874	–
Amounts due from contract customers	23	–	9,525
Contract assets	23	21,595	–
Prepayments		6,438	4,127
Pledged bank deposit	18	3,486	3,663
Fixed bank deposits		4,461	5,275
Cash and cash equivalents		136,134	141,062
		315,458	283,151
Current liabilities			
Trade and other payables	24	180,721	158,493
Amounts due to contract customers	23	–	2,321
Contract liabilities	23	5,563	–
Bank borrowings	25	23,224	16,520
Tax payable		3,893	–
Deferred tax liabilities	19	–	280
		213,401	177,614
Net current assets		102,057	105,537
Total assets less current liabilities		136,628	138,390

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Defined benefit obligations	26	**942**	184
Net assets		**135,686**	138,206
EQUITY			
Share capital	27	**4,000**	4,000
Reserves		**131,686**	134,206
Total equity		**135,686**	138,206

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 2018

	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 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 other 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 13)	–	(4,600)	–	–	–	–	–	–	(4,600)
Total transactions with owners	–	(4,600)	–	–	–	–	465	(465)	(4,600)
Balance at 31 December 2017 as originally presented	4,000	41,598	13,855	532	3,674	2,979	1,995	69,573	138,206
Initial application of HKFRS 9 (note 2(a)A)	–	–	–	(532)	–	–	–	(1,151)	(1,683)
Restated balance at 1 January 2018	4,000	41,598	13,855	–	3,674	2,979	1,995	68,422	136,523

	Share capital (Note 27) HK$'000	Share premium* (Note 30(a)) HK$'000	Capital reserve* (Note 30(b)) 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
Restated balance at 1 January 2018	4,000	41,598	13,855	3,674	2,979	1,995	68,422	136,523
Profit for the year	–	–	–	–	–	–	5,758	5,758
Other comprehensive income								
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	(1,245)	(1,245)
Exchange differences arising on translation of foreign operations	–	–	–	–	(5,350)	–	–	(5,350)
Total comprehensive income	–	–	–	–	(5,350)	–	4,513	(837)
Balance at 31 December 2018	4,000	41,598	13,855	3,674	(2,371)	1,995	72,935	135,686

* 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 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax expense	10,349	7,558
Adjustments for:		
Amortisation of intangible assets	2,959	1,225
Depreciation of property, plant and equipment	3,971	4,320
Exchange gain	(603)	(789)
Finance costs	1,017	528
Net provision for impairment of inventories	2,816	1,207
Interest income	(425)	(290)
Net loss on disposal of other financial assets	6	7
Net gain on disposal of property, plant and equipment	(7)	(138)
Fair value gain on other financial assets	(46)	–
Net provision for impairment of trade receivables	1,489	531
Operating profit before working capital changes	21,526	14,159
Decrease in guarantee deposits	325	14
Increase in inventories	(1,996)	(1,204)
Increase in trade and other receivables	(29,355)	(12,949)
Decrease in amounts due from contract customers	–	20,740
Increase in contract assets	(12,816)	–
(Increase)/decrease in prepayments	(2,535)	641
Increase in trade and other payables	30,789	51,452
Increase in amounts due to contract customers	–	962
Increase in contract liabilities	3,430	–
Decrease in net defined benefit obligations	(812)	(1,258)
Cash generated from operations	8,556	72,557
Income taxes paid	(2,894)	(4,651)
Income taxes refunded	833	–
Interest received	417	228
Net cash from operating activities	6,912	68,134

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from investing activities		
Purchases of intangible assets	–	(10,973)
Research and development expenditures	(3,580)	–
Purchases of property, plant and equipment	(3,073)	(1,591)
Proceeds from disposal of other financial assets	–	101
Purchases of other financial assets	(315)	(97)
Proceeds from disposal of property, plant and equipment	18	241
Decrease in fixed bank deposits	570	1,311
Increase in amount due from ultimate holding company	(5,874)	–
Decrease in loan to ultimate holding company	–	1,765
Net cash used in investing activities	(12,254)	(9,243)
Cash flows from financing activities		
Proceeds from bank borrowings	108,377	80,862
Repayments of bank borrowings	(100,503)	(82,178)
Interest paid	(1,010)	(528)
Repayments of obligations under finance leases	–	(34)
Dividends paid	–	(4,600)
Net cash generated from/(used in) financing activities	6,864	(6,478)
Net increase in cash and cash equivalents	1,522	52,413
Cash and cash equivalents at beginning of year	141,062	77,970
Effect of exchange rate changes	(6,450)	10,679
Cash and cash equivalents at the end of year	136,134	141,062
Analysis of balances of cash and cash equivalents		
Cash and bank balances	136,134	141,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

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 Suite 1507-08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, 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.

As at 31 December 2018, the directors of the Company considered 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 from 1 January 2018

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new/revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity as at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings and investment revaluation reserve as at 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings	
Retained earnings as at 31 December 2017	69,573
Increase in expected credit losses ("ECLs") on trade receivables and contract assets (note 2(a)A(ii) below)	(2,096)
Increase in deferred tax asset of ECLs on trade receivables and contract assets (note 19)	413
Transfer from investment revaluation reserve (note 2(a)A(i) below)	532
	(1,151)
Restated retained earnings as at 1 January 2018	68,422
Investment revaluation reserve	
Investment revaluation reserve as at 31 December 2017	532
Transfer to retained earnings (note 2(a)A(i) below)	(532)
Restated investment revaluation reserve as at 1 January 2018	–

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(a) As at 1 January 2018, certain investments in unlisted equity securities were reclassified from available-for-sale financial assets to FVTPL. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTPL. As a result, financial assets amounting to HK$2,977,000 were reclassified from available-for-sale financial assets to FVTPL and fair value gains of HK$532,000 were reclassified from the investment revaluation reserve to retained earnings on 1 January 2018.

(b) As at 1 January 2018, investment in insurance policy was reclassified from available-for-sale financial assets at fair value to FVTPL.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Unlisted equity securities	Available-for-sale financial assets (at cost) (note 2(a)A(i)(a))	FVTPL	35	35
Unlisted equity securities	Available-for-sale financial assets (at fair value) (note 2(a)A(i)(a))	FVTPL	2,942	2,942
Investment in insurance policy	Available-for-sale financial assets (at fair value) (note 2(a)A(i)(b))	FVTPL	1,713	1,713
Trade and other receivables	Loans and receivables (note 2(a)A(ii)(a))	Amortised cost	110,883	108,787
Pledged bank deposits	Loans and receivables	Amortised cost	3,663	3,663
Fixed bank deposits	Loans and receivables	Amortised cost	5,275	5,275
Cash and cash equivalents	Loans and receivables	Amortised cost	141,062	141,062

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit loss (ECL) model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised cost and contract assets earlier than incurred loss model under HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables (including retention money receivable)

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables (including retention money receivable). To measure the ECLs, trade receivables (including retention money receivable) have been grouped based on shared credit risk characteristics and the days past due.

	ECL rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.30%	73,659	221
0 – 90 days past due	0.93%	27,255	253
91 – 180 days past due	13.84%	3,070	425
181 – 365 days past due	8.89%	1,575	140
1 – 2 years past due	64.31%	4,682	3,011
Over 2 years past due	81.82%	9,605	7,859
		119,846	11,909

The increase in loss allowance for trade receivables and contract assets upon the transition to HKFRS 9 as at 1 January 2018 was HK$2,096,000.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(b) Impairment of other receivables

No impairment for other receivables as at 1 January 2018 is recognised as the amount of impairment measured under the ECL model is immaterial.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL model are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position as at 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

B. HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedients. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from system integration, maintenance services and sales of software.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various products/services are set out below:

Note	Products/Services	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	System integration	Revenue is generated from contracts of system integration. The system integration projects involve the Group to source and integrate suitable hardware and software components and configure them into a compatible system in accordance with the requirements of the customers. Such projects comprise a single performance obligation because the project implementation by the Group to deliver the required system specified by the customers involve a number of processes each of which are highly interdependent and highly interrelated to each other.	The application of HKFRS 15 did not result in significant impact on the Group's accounting policies. A contract asset or contract liability is recognised under HKFRS 15 instead of amounts due from contract customers and amounts due to contract customers respectively under HKAS 11.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

B. HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Products/Services	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	System integration	Since the project implementation is carried out in the customers' sites, the customers have control over the projects. Accordingly, the revenue generated from system integration projects is recognised over time using the input method (i.e. 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.) Invoices are issued according to the payment milestone stated in the contracts and the normal credit terms range from 30 days to 90 days.	If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

B. HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Products/Services	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(b)	Maintenance services	Revenue is recognised over time on a straight line basis over the terms of the contracts because the customers receive and consume the benefits as and when the Group provides these services. Invoices for those services are issued either on monthly basis or according to the contractual term. The normal credit terms range from 30 days to 90 days.	The application of HKFRS 15 did not result in significant impact on the Group's accounting policies. A contract asset and a contract liability is recognised under HKFRS 15 as set out in detail under note (a) above relating to system integration.
(c)	Sales of non-customised software	The Group determined that the revenue from sales of such software should be recognised at a point in time upon installation of the software in the customer's computer system. Invoice will be issued on the same date of delivery. The credit terms range from 30 days to 90 days.	The application of HKFRS 15 did not result in significant impact on the Group's accounting policies. A contract asset and a contract liability is recognised under HKFRS 15 as set out in detail under note (a) above relating to system integration.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2018 (Continued)

C. 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 adoption of these amendments has no impact on these financial statements as the Group first adopted HKFRS 15 including the clarifications for the accounting year beginning on 1 January 2018.

(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.

HKFRS 16	Leases[1]
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12 Income Taxes[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

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 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.

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 2018 were approximately HK$4,108,000.

The Group expected that the recognition of right-of-use asset and the lease liability on operating lease commitments upon adoption of HKFRS 16 would not have a significant impact on net assets. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis. However, it is not expected that there will be a significant impact on the Group's results.

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 16 – Leases – (Continued)

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. The Group also plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019 and will not restate the comparative information.

HK(IFRIC)-Interpretation 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 does not expect that the adoption of the interpretation will have significant impact on the Group's results and financial position.

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

Amendments to HKAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

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

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

Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement (Continued)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income.

The Group is in the process of assessing the quantitative effect of these amendments and is not yet in a position to provide a reasonable estimate of the quantitative effect of the amendments until the assessment has been completed.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12 Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

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 HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the 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 other 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 the GEM of the Stock Exchange, the directors consider that it will be more appropriate to adopt HK$ as the Group's presentation currency. The amounts stated are rounded to the nearest HK$1,000 unless otherwise stated.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 note to the consolidated financial statements that disclose the Company's statement of financial position, interests 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Property, plant and equipment (Continued)

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

(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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Intangible assets (Continued)

(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 (note 4.5).

4.5 Impairment of 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

4.7A Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All the Group's equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Investment in insurance policy

Investment in insurance policy is classified as FVTPL, whereby changes in fair value and related income are recognised in profit or loss. Fair value is based on the account value of the insurance policy provided by insurance company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised cost which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(iv) Effective interest method

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

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7B Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 prospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets (Continued)

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)

4.7B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Loans and receivables (Continued)

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.

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.

(ii) Finance 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

4.7B Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Financial liabilities (Continued)

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.

4.8 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition

4.9A Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition (Continued)

4.9A Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of system integration

The Group provides system integration based on contracts entered with customers before the commencement of the system integration projects. The system integration projects involve the Group to source and integrate suitable hardware and software components and configure them into a compatible system in accordance with the requirements of the customers. Such projects comprise a single performance obligation because the project implementation by the Group to deliver the required system specified by the customers involve a number of processes each of which are highly interdependent and highly interrelated to each other. Since the project implementation is carried out in the customers' sites, the customers have control over the projects. These contracts therefore satisfy the criteria for category B for recognising revenue over time during the project implementation. Accordingly, the revenue generated from system integration projects is recognised over time using the input method (i.e. 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.). The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition (Continued)

4.9A Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

Provision of system integration (Continued)

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.

For warranty included in the system integration contracts, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the system integration work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with the policy set out in "Onerous contracts" below.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provision of maintenance services

The Group provides maintenance services based on contracts entered with customers. Under the terms of the contracts, the customers simultaneously receive and consume the benefits as and when the Group provides these services. Accordingly, the Group recognises revenue from maintenance services over time on a straight line basis over the terms of the maintenance contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition (Continued)

4.9A Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

Sales of non-customised software

Revenue from sales of such software is recognised at a point in time upon installation of the software in the customer's computer system.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition (Continued)

4.9B Revenue recognition (accounting policies applied until 31 December 2017)

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

(i) Revenue from contracts for system integration is recognised based on the percentage of completion method.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue recognition (Continued)

4.9B Revenue recognition (accounting policies applied until 31 December 2017) (Continued)

(i) (Continued)

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.

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

(iii) Revenue from sales of non-customised 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Income taxes

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

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

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

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)

4.11 Foreign currency

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

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

4.12 Employee benefits

Short term employee benefits

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

4.12 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)

4.13 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.

4.14 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.

4.15 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.

4.16 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;

   (i) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Related parties (Continued)

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

(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.

(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:

Contracts for system integration

Revenue from contracts for system integration is recognised under the input 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.

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

Estimated impairment loss of trade and other receivables (from 1 January 2018)

The impairment allowances for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period.

Estimated impairment loss of trade and other receivables (until 31 December 2017)

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).

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

Fair value measurement (Continued)

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

For more detailed information in relation to the fair value measurement of the items above, please refer to note 18.

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.

6. 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

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.

6. SEGMENT INFORMATION (CONTINUED)

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

The segment results are as follows:

(a) Business Segments

2018

	System integration HK$'000	Maintenance services HK$'000	Total HK$'000
Total segment revenue	462,142	143,019	605,161
Gross profit/segment results	48,699	47,719	96,418
Other income			2,154
Selling and administrative expenses			(87,206)
Finance costs			(1,017)
Profit before income tax			10,349
Income tax expense			(4,591)
Profit for the year			5,758

2017

	System integration HK$'000	Maintenance services HK$'000	Total 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. SEGMENT INFORMATION (CONTINUED)

(b) Geographic information

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

	Revenue from external customers (by customers location)		Specified non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**24,167**	8,967	**12,815**	12,163
Korea	**580,994**	497,523	**6,362**	7,300
	605,161	506,490	**19,177**	19,463

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. The Group regarded Korea as its place of domicile.

(c) Information about major customers

No (2017: Two) customers contributed 10% or more of the Group's revenue for the year ended 31 December 2018.

	2018	2017
	HK$'000	HK$'000
Customer A	**N/A**	58,597
Customer B	**N/A**	51,146

These revenues are derived from the segment of system integration.

"N/A" represents that the amounts of revenue from such customers is less than 10% of total revenue for that period.

7. REVENUE

Revenue mainly represents income from provision of system integration and maintenance services during the reporting period. An analysis of the Group's revenue by category for the year ended 31 December 2018 was as follows:

(a) An analysis of the Group's revenue is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from customers and recognised over time		
– Contract revenue from provision of system integration	**462,142**	413,002
– Contract revenue from provision of maintenance services	**143,019**	89,630
	605,161	502,632
Revenue from customers and recognised at point in time		
– Revenue from sales of software	**–**	3,858

System integration and maintenance services represent performance obligations that the Group satisfies over time for each respective contract.

7. REVENUE (CONTINUED)

(b) Disaggregation of revenue

The following tables disaggregate the Group's revenue from contracts with customers:

	2018			2017		
	System integration	Maintenance services	Total	System integration	Maintenance services	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Type of goods or services						
– Cloud infrastructure	355,459	96,761	452,220	317,451	72,530	389,981
– Security	106,683	46,258	152,941	95,551	17,100	112,651
– Software license	–	–	–	3,858	–	3,858
Total revenue from contracts with customers	462,142	143,019	605,161	416,860	89,630	506,490
Type of customers						
– Public sector	154,349	66,339	220,688	112,116	38,369	150,485
– Private sector	307,793	76,680	384,473	304,744	51,261	356,005
Total revenue from contracts with customers	462,142	143,019	605,161	416,860	89,630	506,490
Type of contract duration						
– Within 12 months	455,752	123,531	579,283	350,060	77,669	427,729
– Over 12 months but less than 24 months	4,384	4,490	8,874	12,640	1,771	14,411
– Over 24 months	2,006	14,998	17,004	54,160	10,190	64,350
Total revenue from contracts with customers	462,142	143,019	605,161	416,860	89,630	506,490

7. REVENUE (CONTINUED)

(c) Transaction price allocated to the remaining performance obligations

The follow table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at end of the reporting period:

	2018 HK$'000	2017 HK$'000
Provision of system integration	34,379	38,231

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK$34,379,000 allocated to the contracts under system integration as at 31 December 2018 will be recognised as revenue on or before 30 September 2019.

The Group has applied the practical expedient under HKFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for maintenance services is not disclosed as such contracts have an original expected duration of one year or less.

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income	425	290
Gain on disposal of property, plant and equipment	7	138
Gain on foreign exchange, net	108	3,725
Fair value gain on other financial assets	46	–
Miscellaneous gains, net	1,568	676
Total	2,154	4,829

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on borrowings	1,017	524
Interest element of finance lease payments	–	4
Total	1,017	528

10. PROFIT BEFORE INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Carrying amount of inventories sold	446,962	383,103
Net provision for impairment of inventories	2,816	1,207
Costs of inventories recognised as expenses	449,778	384,310
Employee costs (note 11)	86,738	70,293
Subcontracting costs	16,429	14,590
Agency commission	5,500	–
Net provision for impairment of trade receivables	1,489	531
Amortisation of intangible assets	2,959	1,225
Depreciation of property, plant and equipment	3,971	4,320
Auditor's remuneration	1,052	1,097
Research and development costs (note)	2,835	2,831
Net loss on disposal of other financial assets	6	7
Net gain on foreign exchange	(108)	(3,725)
Gain on disposal of property, plant and equipment	(7)	(138)
Fair value gain on other financial assets	(46)	–
Operating lease payments in respect of rented premises	1,945	2,117

Note: Research and development costs included employee costs of approximately HK$2,835,000 (2017: HK$2,794,000) as disclosed above.

11. EMPLOYEE COSTS

	2018 HK$'000	2017 HK$'000
Employee costs (including directors' remuneration) comprise:		
Salaries		
– Capitalised as intangible assets (note 17)	**679**	298
– Charged to profit or loss	**70,259**	56,768
Contributions to defined contribution retirement plans	**2,210**	1,883
Defined benefit costs (note 26)	**4,157**	4,293
Other benefits	**9,433**	7,051
Total	**86,738**	70,293

12. INCOME TAX EXPENSE

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

	2018 HK$'000	2017 HK$'000
Current tax		
– Korea	**6,786**	1,631
Deferred tax		
– Korea (note 19)	**(1,933)**	376
– Hong Kong (note 19)	**(262)**	280
	(2,195)	656
Income tax expense	**4,591**	2,287

Global Telecom is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively "Korean Corporate Income Tax"). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2018. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2018 are as follows:

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK$1.4 million) for the year ended 31 December 2018 (2017: KRW200 million (equivalent to approximately HK$1.4 million));

12. INCOME TAX EXPENSE (CONTINUED)

- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK$1.4 million) for the year ended 31 December 2018 (2017: KRW200 million (equivalent to approximately HK$1.4 million)) and up to KRW20 billion (equivalent to approximately HK$142.6 million) for the year ended 31 December 2018 (2017: KRW20 billion (equivalent to approximately HK$138.4 million));

- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$142.6 million) for the year ended 31 December 2018 (2017: KRW20 billion (equivalent to approximately HK$138.4 million)).

Future Data is subject to Hong Kong profits tax. Hong Kong profits tax is calculated at two-tiered rates (2017: 16.5%) on the estimated assessable profits arising in Hong Kong. The two-tiered rates applicable to Future Data for the year ended 31 December 2018 are as follows:

- 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million.

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:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**10,349**	7,558
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	**2,500**	1,752
Tax effect of expenses not deductible for tax purposes	**2,598**	1,857
Tax credit	**(1,192)**	(1,128)
Withholding tax on dividend declared by a subsidiary	**1,036**	–
Others	**(351)**	(194)
Income tax expense for the year	**4,591**	2,287

13. DIVIDENDS

	2018 HK$'000	2017 HK$'000
2016 final dividend of HK1.15 cents per ordinary share	–	4,600

The directors recommend the payment of a final dividend of HK cents 1.47 per ordinary share for the year ended 31 December 2018 (2017: Nil) totalling HK$5,880,000, which is to be approved at the forthcoming annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated financial statements.

14. BASIC AND DILUTED EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year	5,758	5,271

	2018 Number'000	2017 Number'000
Number of shares		
Weighted average number of ordinary shares	400,000	400,000

Weighted average of 400,000,000 shares for the year ended 31 December 2018 represents the number of shares in issue throughout the year.

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 2018 and 2017.

15. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

Directors' remuneration

2018

	Fees	Basic salaries, allowances and other benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Suh Seung Hyun	–	1,267	73	217	1,557
Mr. Phung Nhuong Giang	–	1,200	–	–	1,200
Mr. Lee Seung Han	–	1,285	74	217	1,576
Mr. Ryoo Seong Ryul	–	876	60	61	997
Total	–	4,628	207	495	5,330
Independent non-executive directors:					
Mr. Wong Sik Kei	120	–	–	–	120
Mr. Sum Chun Ho	120	–	–	–	120
Mr. Yung Kai Tai	120	–	–	–	120
Total	360	–	–	–	360

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

Directors' remuneration (Continued)

2017

	Fees	Basic salaries, allowances and other benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Suh Seung Hyun	–	1,253	70	70	1,393
Mr. Phung Nhuong Giang	–	1,200	–	–	1,200
Mr. Lee Seung Han	–	1,212	71	70	1,353
Mr. Ryoo Seong Ryul	–	827	58	57	942
Mr. Park Hyeoung Jin (note (a))	–	1,037	69	73	1,179
Total	–	5,529	268	270	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

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 resigned and Mr. Yung Kai Tai was 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.

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

Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group include 3 (2017: 4) directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 2 (2017: 1) individual is as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	2,089	978
Contribution to pension schemes	153	65
Discretionary bonuses	648	210
	2,890	1,253

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

	2018	2017
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	2	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 (2017: Nil).

Senior management emoluments

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

	2018	2017
Nil to HK$1,000,000	5	5
HK$1,000,001 to HK$1,500,000	1	–

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2017	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
Additions	36	3,017	20	–	3,073
Transferred from inventories	–	344	–	–	344
Disposals	–	(53)	–	–	(53)
Exchange realignment	(34)	(1,301)	(43)	(113)	(1,491)
At 31 December 2018	1,234	27,397	1,029	2,216	31,876
Accumulated depreciation:					
At 1 January 2017	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
Charge for the year	177	3,580	106	108	3,971
Disposals	–	(53)	–	–	(53)
Exchange realignment	(21)	(978)	(34)	(105)	(1,138)
At 31 December 2018	1,055	21,062	789	2,112	25,018
Carrying amount:					
At 31 December 2018	179	6,335	240	104	6,858
At 31 December 2017	333	6,877	335	220	7,765

There were no assets held under finance leases as at 31 December 2018 (2017: Nil).

17. INTANGIBLE ASSETS

	Software platforms HK$'000
Cost:	
At 1 January 2017	–
Additions	12,923
At 31 December 2017	12,923
Additions	3,580
At 31 December 2018	16,503
Accumulated amortisation:	
At 1 January 2017	–
Amortisation charge for the year	1,225
At 31 December 2017	1,225
Amortisation charge for the year	2,959
At 31 December 2018	4,184
Carrying Amount	
At 31 December 2018	12,319
At 31 December 2017	11,698

The intangible assets acquired were for three distinct software platforms with cyber security, big data and internet of things features. Employee costs of HK$679,000 (2017: HK$298,000) (note 11) for enhancement of the acquired software platforms has been capitalised in the acquisition cost of the software platforms.

18. OTHER FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Financial assets measured at FVTPL		
– Unlisted equity securities (notes (a) and (b))	2,878	–
– Investment in insurance policy (notes (a) and (c))	1,932	–
	4,810	–
Available-for-sale financial assets		
– Unlisted equity securities, at cost (notes (a) and (b))	–	35
– Unlisted equity securities, at fair value (notes (a) and (b))	–	2,942
– Investment in insurance policy (notes (a) and (c))	–	1,713
	–	4,690

18. OTHER FINANCIAL ASSETS (CONTINUED)

(a) Available-for-sale financial assets were reclassified to financial assets measured at FVTPL upon the initial application of HKFRS 9 as at 1 January 2018 (note 2(a)A(i)).

(b) The investment represents Global Telecom's equity interests (both of which are less than 20%) in two cooperatives in Korea:

	2018 HK$'000	2017 HK$'000
Korea Software Financial Cooperative	**2,840**	2,942
Korea Broadcasting & Communication Financial Cooperative	**38**	35
	2,878	2,977

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, KSFC provided the following guarantees on behalf of Global Telecom:

	2018 HK$'000	2017 HK$'000
Description of guarantee		
– Bidding guarantees	**5,050**	194
– Contract guarantees	**78,692**	44,193
– Defect guarantees	**28,664**	35,192
– Prepayment guarantees	**36,718**	23,049
– Payment guarantees	**–**	220
	149,124	102,848

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.

18. OTHER FINANCIAL ASSETS (CONTINUED)

(b) (Continued)

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 2018 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 2018. In respect of the investment in KBCFC, the directors are of the opinion that its fair value approximates to its carrying value, which is very immaterial.

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

As at 31 December 2018, a fixed bank deposit of KRW500 million (equivalent to approximately HK$3.5 million (2017: KRW500 million (equivalent to approximately HK$3.7 million)) has been pledged with KSFC in return for the guarantees provided by KSFC above.

(c) The Group invested in a savings-type insurance policy as detailed below:

	Type A	
	2018	2017
	HK$'000	HK$'000
Account value as at 31 December	**1,932**	1,713
Insurance policy type	Life insurance plan	
Insured	Mr. Suh Seung Hyun	
Insured sum	HK$106,710	
Premium period	10 years	

During the insured periods covered by the insurance policy, 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 this insurance policy provided by the insurance company approximates its fair value.

Global Telecom can terminate the insurance policy at any time and can receive cash based on the value of the insurance policy at the date of withdrawal which is determined by the gross premium paid at inception plus accumulated interest earned and minus insurance policy expense and premium charged.

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

19. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Amortisation of intangible assets HK$'000	Decelerated tax depreciation HK$'000	Provision for defined benefit obligations HK$'000	Provision for impairment of trade receivables HK$'000	Provision for incentive bonus HK$'000	Provision for impairment of inventories HK$'000	Tax losses carried forward *(note b)* HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	–	121	148	1,693	779	285	–	495	3,521
Credited/(charged) to profit or loss for the year (note 12)	(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 and 1 January 2018	(1,930)	196	–	2,028	565	607	1,623	235	3,324
Effect of adoption of HKFRS 9 (note 2(a)A(i))	–	–	–	413	–	–	–	–	413
At 1 January 2018 (restated)	(1,930)	196	–	2,441	565	607	1,623	235	3,737
Credited/(charged) to profit or loss for the year (note 12)	(103)	(137)	–	298	392	619	447	679	2,195
Charged to equity for the year	–	–	–	–	–	–	–	352	352
Exchange realignment	–	(6)	–	(112)	(37)	(42)	–	(34)	(231)
At 31 December 2018	(2,033)	53	–	2,627	920	1,184	2,070	907	6,053

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

	2018 HK$'000	2017 HK$'000
Deferred tax asset	6,053	3,604
Deferred tax liabilities	–	(280)
	6,053	3,324

(a) As at 31 December 2018, deferred tax liability of HK$22,293,000 (2017: HK$19,705,000) 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 2018, the Group had tax losses arising in Hong Kong of HK$12,543,000 (2017: HK$9,837,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets of approximately HK$2,070,000 (2017: HK$1,623,000) 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.

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Hardware and software	6,337	7,854

21. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	141,453	104,832
Less: Provision for impairment of trade receivables	(12,852)	(9,813)
Trade receivables, net (note (a) and (c))	128,601	95,019
Retention money receivable (note (b))	–	15,014
Short-term loans to employees (note (d) and (e))	488	513
Accrued interest (note (e))	41	36
Rental and other deposits (note (e))	2,003	154
Other receivables (note (e))	–	147
	131,133	110,883

(a) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (note 2(a)A(ii)).

(b) Upon the adoption of HKFRS 15, retention money receivable is included in contract assets and disclosed in note 23(a) (note 2(a)B).

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) 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:

	2018 HK$'000	2017 HK$'000
0 – 90 days	111,725	72,532
91 – 180 days	4,577	9,178
181 – 365 days	2,818	8,835
1 – 2 years	8,679	3,061
Over 2 years	802	1,413
	128,601	95,019

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

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9. As at 31 December 2018, a provision of HK$12,852,000 was made against the gross amount of trade receivables as detailed in note 34(a).

(d) The loans to employees of Global Telecom are fully secured by the employees' entitlement to retirement benefit, carry market interest rate at 6.9% (2017: 6.9%) per annum as at 31 December 2018 and repayable within one year from the respective dates of drawdown of loans.

(e) The Group applies the general approach to provide for ECLs prescribed by HKFRS 9. As at 31 December 2018, there were no provision made against the gross amount of the receivables as detailed in note 34(a).

22. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Details of amount due from ultimate holding company are as follows:

	As at 1 January 2018 HK$'000	As at 31 December 2018 HK$'000	Maximum outstanding amount during the year HK$'000
AMS	–	5,874	5,874

The amount due from AMS which originated on 31 December 2018 was unsecured, non-interest bearing and repayable on demand. Such balance also constituted a connected transaction under the GEM Listing Rules.

23. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'000
Amounts due from contract customers (note (a)(ii))	–	9,525
Amounts due to contract customers (note (b))	–	(2,321)
Contract assets (note (a))	**21,595**	–
Contract liabilities (note (b))	**(5,563)**	–
	16,032	7,204

(a) Contract assets

	2018 HK$'000	2017 HK$'000
Contract assets		
Arising from performance under system integration	**21,595**	–
Retention money receivable (note (i))	–	15,014
Amounts due from contract customers (note (ii))	–	9,525
	–	24,539

Notes:

(i) Upon the adoption of HKFRS 15, amounts previously included as "Retention money receivable" under "Trade and other receivables" were reclassified to contract assets (note 2(a)B).

(ii) Upon the adoption of HKFRS 15, amounts previously included as "Amounts due from contract customers" were reclassified to contract assets (note 2(a)B).

Retention money receivable is unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts.

Contract assets are related to unbilled work in progress which have substantially the same characteristics as the trade receivables for the same types of contract. The Group has concluded that the expected loss rate for trade receivables are a reasonable approximation of the rates for the contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the expected loss rate of contract assets is assessed to be minimal.

23. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2018 HK$'000	2017 HK$'000
Contract liabilities		
Billings in advance of performance under system integration	**5,563**	–
Amounts due to contract customers (note)	–	2,321

Note: Upon the adoption of HKFRS 15, amounts previously included as "Amounts due to contract customers" were reclassified to contract liabilities (note 2(a)B).

Set out below is the amount of revenue recognised in the current reporting period relating to carried-forward contract liabilities.

	2018 HK$'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	
System integration	2,321

24. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables (note (a))	160,473	145,046
Accruals and other payables	16,398	7,783
Advance receipts	110	28
Value-added tax payables	3,740	5,636
	180,721	158,493

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	138,800	105,133
31 – 60 days	15,663	16,359
61 – 90 days	696	14,359
91 – 180 days	4,121	4,736
181 – 365 days	611	3,661
Over 1 year	582	798
	160,473	145,046

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.

25. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Unsecured:		
– Bank loans (note (a))	21,307	16,520
– Bills payables (note (b))	1,917	–
Total borrowings due for repayment within one year	23,224	16,520

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2018			
Bank A	US$85,536	3-month LIBOR plus 2.3% per annum	May 2019
Bank B	US$254,344	3-month LIBOR plus 2.0% per annum	September 2019
Bank C	US$1,096,058	KORIBOR base rate plus 1.62% per annum	April 2019
Bank D	US$1,297,784	3-month LIBOR plus 1.3% per annum	September 2019
2017			
Bank A	US$175,078	3-month LIBOR plus 2% per annum	June 2018
Bank B	US$716,388	3-month LIBOR plus 2.2% per annum	September 2018
Bank C	US$373,747	KORIBOR base rate plus 1.47% per annum	April 2018
Bank E	US$509,346	3-month LIBOR plus 1.42% per annum	April 2018
Bank F	US$330,150	3-month LIBOR plus 0.8% per annum	July 2018

(b) During the year ended 31 December 2018, bills payable carried interest rate at 3-month LIBOR plus 1.2% (2017: Nil) per annum. The carrying amount of bills payables is denominated in US$.

(c) As at 31 December 2018, 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$400,000 and KRW440,000,000 (2017: US$500,000 and KRW488,000,000) for import financing facilities and bank loans provided to Global Telecom.

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 2018 and 2017, Global Telecom must develop a financial stabilisation plan to make up the deficiency within three years.

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

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

The Plan is funded by contributions from the Group with reference to an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the Plan was as at 31 December 2018 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 2018 indicate that the Group's obligations under the Plan are 97% (2017: 99%) covered by the Plan assets held by the trustee as at the respective reporting date.

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Present value of defined benefit obligations	**28,471**	26,304
Fair value of plan assets	**(27,529)**	(26,120)
Defined benefit obligations liability as at 31 December	**942**	184

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$4,287,000 in contributions to the Plan in 2019.

The Group's contributions for the year ended 31 December 2018 amounted to approximately HK$4,969,000 (2017: HK$5,549,000).

The principal financial assumptions used in the actuarial valuation as at 31 December 2018 for the purpose of the accounting disclosures were as follows:

	2018	2017
Discount rate	**2.25%**	2.75%
Rate of salary increase	**5.00%**	5.00%

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

For purpose of determining the defined benefit obligations, the following participant data has been applied as at 31 December 2018:

	2018	2017
Number of staff	138	130
Total annual plan salary	HK$49,830,000	HK$44,539,000
Average annual plan salary	HK$361,000	HK$343,000
Average age (count weighted)	39.40 years	38.82 years
Average credited services (count weighted)	4.56 years	4.55 years
Expected future working lifetime	5.25 years	4.77 years

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

	2018 HK$'000	2017 HK$'000
Current service costs	4,152	4,279
Administration costs	155	133
Interest on assets	(798)	(616)
Interest costs	648	497
Total amount recognised in profit or loss (note 11)	4,157	4,293
Actuarial losses (net of tax) recognised in other comprehensive income	1,245	687
Total defined benefit costs	5,402	4,980

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:

	2018 HK$'000	2017 HK$'000
Cost of sales and services	1,840	2,539
Selling and administrative expenses	2,317	1,754
	4,157	4,293

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Balance as at 1 January	**26,304**	20,167
Pension costs charged to profit or loss:		
Service costs	**4,152**	4,279
Net interest	**648**	497
Sub-total	**4,800**	4,776
Benefits paid	**(2,611)**	(2,218)
Actuarial changes arising from changes in financial assumptions	**698**	(305)
Actuarial changes arising from experience adjustments	**632**	875
Exchange realignment	**(1,352)**	3,009
Balance as at 31 December	**28,471**	26,304

The weighted average duration of the defined benefit obligations is 5.01 years (2017: 5.00 years).

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

	2018 HK$'000	2017 HK$'000
Balance as at 1 January	**26,120**	19,654
Pension costs charged to profit or loss:		
Administrative costs	**(155)**	(133)
Net interest	**798**	616
Sub-total	**643**	483
Benefits paid	**(2,611)**	(2,218)
Actuarial changes arising from changes in financial assumptions	**(266)**	(311)
Contributions from employer	**4,969**	5,549
Exchange realignment	**(1,326)**	2,963
Balance as at 31 December	**27,529**	26,120

26. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The assets of the Plan are as follows:

	2018 HK$'000	2017 HK$'000
Term deposit	**27,529**	26,120

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2018 are set out as follows:

	Percentage change	2018 HK$'000	2017 HK$'000
Discount rate	+1%	**(1,411)**	(1,193)
	-1%	**1,443**	1,221
Rate of salary increase	+1%	**1,543**	1,313
	-1%	**(1,516)**	(1,289)

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

	Number '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2017 and 2018	5,000,000	50,000

	Number '000	Amount HK$'000
Ordinary shares, issued and fully paid:		
At 31 December 2017 and 2018	400,000	4,000

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	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		57,639	57,639
CURRENT ASSETS			
Deposit and prepayments		241	25
Amounts due from subsidiaries		21,641	20,619
Cash and cash equivalent		3,147	10,864
		25,029	31,508
CURRENT LIABILITIES			
Accruals		1,291	625
NET CURRENT ASSETS		23,738	30,883
NET ASSETS		81,377	88,522
CAPITAL AND RESERVES			
Share capital	27	4,000	4,000
Reserves	30	77,377	84,522
TOTAL EQUITY		81,377	88,522

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 prior to 1 January 2018. The reserve has been reclassified to retained earnings upon adoption of HKFRS 9 (note 2(a)A(i)).

(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 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**
Loss for the year	**–**	**–**	**(7,145)**	**(7,145)**
At 31 December 2018	**41,598**	**57,639**	**(21,860)**	**77,377**

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 2018	% of ownership interest 2017	Principal activities
SuperChips Limited	British Virgin Islands	US$1	**Directly 100%**	Directly 100%	Investment holding
Global Telecom	Republic of Korea	190,000 shares of KRW5,000 each	**Indirectly 100%**	Indirectly 100%	Provision of system integration and maintenance services
Future Data	Hong Kong	HK$10,441,395	**Indirectly 100%**	Indirectly 100%	Provision of system integration and maintenance services

32. RELATED PARTY TRANSACTIONS

(a) Save for the amount due from ultimate holding company as disclosed in note 22, during 2017, the Group entered into the following transaction with a related party.

Related party identity and relationship	Type of transaction	2018 HK$'000	2017 HK$'000
AMS, ultimate holding company	Interest income earned from advance made	–	48

The interest income earned from AMS in 2017 was in respect of advance made after the listing of the Company's shares on the Stock Exchange on 8 July 2016.

(b) Compensation of key management personnel

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

33. OPERATING LEASE COMMITMENTS

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

	2018 HK$'000	2017 HK$'000
Within one year	3,530	3,805
In the second to fifth year, inclusive	578	4,243
	4,108	8,048

The Group leases a number of premises under operating leases. The leases run for an initial period of one to five (2017: 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 obligations 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.

Amount due from ultimate holding company will be settled before the end of June 2019 and the Board will closely monitor the repayment progress to minimise the risk of default. The management considers the credit risk to be insignificant.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

As at 31 December 2018, the provision made respectively against the gross amount of trade receivables is as follows:

	ECL rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Current (not past due)	0.43%	108,731	463
0 – 90 days past due	1.91%	8,187	156
91 – 180 days past due	18.76%	3,439	645
181 – 365 days past due	15.20%	7,948	1,208
1 – 2 years past due	42.73%	3,431	1,466
Over 2 years past due	91.73%	9,717	8,914
		141,453	12,852

ECLs are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (note 4.7B). At 31 December 2017, trade receivables of HK$9,813,000 was determined to be impaired. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	71,915
0 – 90 days past due	13,985
91 – 180 days past due	3,070
181 – 365 days past due	1,575
1 – 2 years past due	3,061
Over 2 years past due	1,413
	95,019

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	HK$'000
Balance as 31 December 2017 under HKAS 39	9,813
Impact on initial application of HKFRS 9 (note 2(a)A(ii))	2,096
Adjusted balance as at 1 January 2018	11,909
Net impairment losses recognised during the year	1,489
Exchange realignment	(546)
Balance as at 31 December 2018	12,852

ECL model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs are measured on a 12-month basis.

– If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.

– If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs are measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial instrument (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 December 2018, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and bank borrowings 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.

2018

	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	176,871	176,871	176,871
Bank borrowings	23,224	23,366	23,366
	200,095	200,237	200,237

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

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 25. The Group currently does not have an interest rate hedging policy.

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

	2018 HK$'000	2017 HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points		
+0.5%	(732)	(439)
-0.5%	732	439

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:

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	18,201	11,787
Trade payables	(21,429)	(14,878)
Bank borrowings	(23,224)	(16,520)
Gross exposure from recognised financial assets and liabilities	(26,452)	(19,611)

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.

	2018	2017
	HK$'000	HK$'000
Changes in exchange rate:		
KRW depreciates by 5% against US$	**(1,032)**	(765)
KRW appreciates by 5% against US$	**1,032**	765

The sensitivity analysis for the year ended 31 December 2017 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:

	2018 HK$'000	2017 HK$'000
Financial assets		
Non-current		
Financial assets at FVTPL		
– Unlisted equity securities	2,878	–
– Insurance policy	1,932	–
	4,810	–
Available-for-sale financial assets		
– Unlisted equity securities	–	2,977
– Insurance policy	–	1,713
	–	4,690
Current		
Financial assets at amortised cost		
– Trade and other receivables	131,133	–
– Amount due from ultimate holding company	5,874	–
– Pledged bank deposit	3,486	–
– Fixed bank deposits	4,461	–
– Cash and cash equivalents	136,134	–
	281,088	–
Loans and receivables		
– Trade and other receivables	–	110,883
– Pledged bank deposit	–	3,663
– Fixed bank deposits	–	5,275
– Cash and cash equivalents	–	141,062
	–	260,883
Financial liabilities at amortised cost		
– Trade and other payables	176,871	152,829
– Bank borrowings	23,224	16,520
	200,095	169,349

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:

2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	2,878	–	2,878
– Insurance policy	–	1,932	–	1,932
	–	4,810	–	4,810

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 policy	–	1,713	–	1,713
	–	4,655	–	4,655

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 value of insurance policy is determined based on the account value provided by the insurance company as at the reporting date.

At 31 December 2018, the Group's unlisted equity security and insurance policy are grouped under Level 2 (2017: 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 disclosed in note 24 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 2018 are as follows:

	2018 HK$'000	2017 HK$'000
Bank borrowings	23,224	16,520
Total equity	135,686	138,206
Gearing ratio	17%	12%

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
	HK$000
At 1 January 2018	16,520
Changes from financing cash flows:	
Proceeds from bank borrowings	108,377
Repayments of bank borrowings	(100,503)
Interest paid	(1,010)
Total changes from financing cash flows	6,864
Other changes	
Finance costs	1,017
Exchange difference	(1,177)
Total other changes	(160)
At 31 December 2018	23,224

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	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
Changes from financing cash flows:				
Proceeds from bank borrowings	80,862	–	–	80,862
Repayments 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				
Dividend declared	–	–	4,600	4,600
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 2018 were approved and authorised for issue by the board of directors on 15 March 2019.

SUMMARY OF FINANCIAL INFORMATION

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2018, 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				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**605,161**	506,490	524,021	515,704	441,805
Net profit for the year	**5,758**	5,271	3,708	8,131	10,775
Assets and liabilities					
Total assets	**350,029**	316,004	235,402	222,149	183,387
Total liabilities	**214,343**	177,798	109,994	157,796	120,703
Total equity	**135,686**	138,206	125,408	64,353	62,684