

**2019**  
THIRD  
QUARTERLY  
REPORT



**FUTURE DATA**

**FUTURE DATA GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the 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. Sum Chun Ho

Mr. Yung Kai Tai

#### Nomination Committee

Mr. Yung Kai Tai (*Chairman*)

Mr. Sum Chun Ho

Mr. Wong Sik Kei

### COMPLIANCE OFFICER

Mr. Lee Seung Han

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

14/F-15/F, Deokmyeong Building

Samseong-dong

625 Teheran-ro

Gangnam-gu

Seoul

Korea

### COMPANY SECRETARY

Ms. Chan Suet Lam

### AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang

Ms. Chan Suet Lam

### AUDITOR

BDO Limited

Certified Public Accountants

25/F, Wing On Centre

111 Connaught Road Central

Hong Kong

## LEGAL ADVISERS TO OUR COMPANY

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## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East  
Hong Kong

## PRINCIPAL BANK

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## COMPANY WEBSITE ADDRESS

[www.futuredatagroup.com](http://www.futuredatagroup.com)

## STOCK CODE

8229

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## Financial Highlights

For the nine months ended 30 September 2019

- Unaudited revenue of the Group was HK\$403.8 million for the nine months ended 30 September 2019, representing an increase of approximately HK\$80.7 million or 25.0%, as compared to the nine months ended 30 September 2018.
- Unaudited loss after tax was HK\$8.3 million for the nine months ended 30 September 2019, representing a decrease in profit of approximately HK\$10.0 million or 593.2% from unaudited profit after tax of approximately HK\$1.7 million for the nine months ended 30 September 2018.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: Nil).

## Quarterly Results

The board of directors (the "Board") of the Company presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with comparative figures as follows.

## Condensed Consolidated Statement of Profit or Loss

For the three and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	171,016	119,656	403,774	323,060
Cost of sales and services		(149,972)	(100,736)	(354,873)	(264,609)
<b>Gross profit</b>		<b>21,044</b>	<b>18,920</b>	<b>48,901</b>	<b>58,451</b>
Other income/(expense) – net		222	(497)	4,337	840
Selling and administrative expenses		(20,750)	(15,903)	(60,922)	(55,375)
Finance costs		(360)	(293)	(1,132)	(783)
<b>(Loss)/profit before income tax</b>	4	<b>156</b>	<b>2,227</b>	<b>(8,816)</b>	<b>3,133</b>
Income tax credit/(expense)	5	113	(765)	535	(1,454)
<b>(Loss)/profit for the period</b>		<b>269</b>	<b>1,462</b>	<b>(8,281)</b>	<b>1,679</b>
<b>Attributable to:</b>					
– Owners of the Company		484	1,462	(7,826)	1,679
– Non-controlling interests		(215)	–	(455)	–
		269	1,462	(8,281)	1,679
<b>(Loss)/earnings per share attributable to owners of the Company</b>					
Basic and Diluted (HK cents)	6	0.12	0.37	(1.96)	0.42

# Condensed Consolidated Statement of Comprehensive Income

For the three and nine months ended 30 September 2019

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the period	269	1,462	(8,281)	1,679
Other comprehensive income for the period				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(3,293)	388	(6,401)	(4,026)
Total comprehensive income for the period	(3,024)	1,850	(14,682)	(2,347)
Attributable to:				
– Owners of the Company	(2,809)	1,850	(14,227)	(2,347)
– Non-controlling interests	(215)	–	(455)	–
	(3,024)	1,850	(14,682)	(2,347)



# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2019

	Attributable to equity owners of the Company										
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Research	Foreign exchange reserve	Legal reserve	Retained earnings	Total	Non-controlling interests	Total equity
					and development reserve						
					HK\$'000						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2019 (audited)	4,000	41,598	13,855	-	3,674	(2,371)	1,995	72,935	135,686	-	135,686
Initial application of HKFRS 16	-	-	-	-	-	-	-	(70)	(70)	-	(70)
Restated balance at 1 January 2019	4,000	41,598	13,855	-	3,674	(2,371)	1,995	72,865	135,616	-	135,616
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,396	1,396
Loss for the period	-	-	-	-	-	-	-	(7,826)	(7,826)	(455)	(8,281)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(6,401)	-	-	(6,401)	-	(6,401)
	4,000	41,598	13,855	-	3,674	(8,772)	1,995	65,039	121,389	941	122,330
Dividend paid in respect of the previous year	-	(5,880)	-	-	-	-	-	-	(5,880)	-	(5,880)
At 30 September 2019 (unaudited)	4,000	35,718	13,855	-	3,674	(8,772)	1,995	65,039	115,509	941	116,450
At 1 January 2018 (audited)	4,000	41,598	13,855	532	3,674	2,979	1,995	69,573	138,206	-	138,206
Initial application of HKFRS 9	-	-	-	(532)	-	-	-	(1,151)	(1,683)	-	(1,683)
Restated balance at 1 January 2018	4,000	41,598	13,855	-	3,674	2,979	1,995	68,422	136,523	-	136,523
Profit for the period	-	-	-	-	-	-	-	1,679	1,679	-	1,679
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(4,026)	-	-	(4,026)	-	(4,026)
At 30 September 2018 (unaudited)	4,000	41,598	13,855	-	3,674	(1,047)	1,995	70,101	134,176	-	134,176

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# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of 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 principle place of business in Hong Kong is located at Suite 1507-08, 15th Floor, 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; (ii) maintenance services and (iii) cyber security services in Korea and Hong Kong.

The functional currencies of the Company's principal operating subsidiaries are South Korean Won ("KRW") and Hong Kong Dollars ("HK\$") while the condensed consolidated financial statements are presented in HK\$. As the Company's shares (the "Shares") are listed on GEM of the Stock Exchange, the Directors consider that it is more appropriate to adopt HK\$ as the Group's presentation currency.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements for the nine months ended 30 September 2019 are consistent with those adopted in the annual financial statements for the year ended 31 December 2018. The condensed consolidated financial statements for the nine months ended 30 September 2019 should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

On 1 January 2019, the Group has adopted all the new and revised HKFRSs, amendments and interpretations that are effective from that date and are relevant to its operations. Except for the adoption of HKFRS 16, the adoption of other new/revised HKFRSs, amendments and interpretations has no material effect on the results reported for the current or prior periods.

The Group has applied HKFRS 16 using the modified retrospective approach. The cumulative effect of initial application will be recognised as an adjustment to the opening of equity as at 1 January 2019 and will not restate the comparative information.

The following table summarises the impact of adopting HKFRS 16 on the balance as at 1 January 2019 and 31 December 2018 of the Group's consolidated statement of financial position.

At 31 December 2018

	As previously reported	Adjustments	As restated
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	6,858	1,790	8,648
Others	343,171	–	343,171
Total assets	350,029	1,790	351,819
Trade and other payables	180,721	1,860	182,581
Others	33,622	–	33,622
Total liabilities	214,343	1,860	216,203
Retained earnings	72,935	(70)	72,865
Others	62,751	–	62,751
Total equity	135,686	(70)	135,616

### 3. REVENUE AND SEGMENT INFORMATION

The Group's business is organised into three segments:

- (i) system integration;
- (ii) maintenance services; and,
- (iii) cyber security services

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

Segment revenue and profit contribution are:

**(a) Business segments:**

	Three months ended 30 September							
	2019				2018			
	System integration	Maintenance services	Cyber security services	Total	System integration	Maintenance services	Cyber security services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Total segment revenue	134,235	29,863	11,549	175,647	82,305	30,538	6,813	119,656
Inter-segment revenue	-	-	(4,631)	(4,631)	-	-	-	-
Revenue from external customers	134,235	29,863	6,918	171,016	82,305	30,538	6,813	119,656
Gross profit/segment results	10,321	8,166	2,557	21,044	7,667	8,464	2,789	18,920
Other income/(expense) – net				222				(497)
Selling and administrative expenses				(20,750)				(15,903)
Finance costs				(360)				(293)
Profit before income tax				156				2,227
Income tax credit/(expense)				113				(765)
Profit for the period				269				1,462

	Nine months ended 30 September							
	2019				2018			
	System integration	Maintenance services	Cyber security services	Total	System integration	Maintenance services	Cyber security services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Total segment revenue	293,713	92,996	23,303	410,012	223,835	78,991	20,234	323,060
Inter-segment revenue	-	-	(6,238)	(6,238)	-	-	-	-
Revenue from external customers	293,713	92,996	17,065	403,774	223,835	78,991	20,234	323,060
Gross profit/segment results	20,590	24,087	4,224	48,901	24,628	22,278	11,545	58,451
Other income, net				4,337				840
Selling and administrative expenses				(60,922)				(55,375)
Finance costs				(1,132)				(783)
(Loss)/profit before income tax				(8,816)				3,133
Income tax credit/(expense)				535				(1,454)
(Loss)/profit for the period				(8,281)				1,679

(b) Geographic information:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Korea	164,098	112,843	386,709	302,826
Hong Kong	6,918	6,813	17,065	20,234
Total	171,016	119,656	403,774	323,060

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

## (c) Revenue analysis:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from customers and recognised over time:				
– Revenue from system integration	134,235	82,305	293,713	223,835
– Revenue from maintenance services	29,863	30,538	92,996	78,991
– Revenue from cyber security services	6,918	6,813	17,065	20,234
<b>Total</b>	<b>171,016</b>	<b>119,656</b>	<b>403,774</b>	<b>323,060</b>

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

	Three months ended 30 September							
	2019				2018			
	System integration	Maintenance services	Cyber security services	Total	System integration	Maintenance services	Cyber security services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Type of goods or services								
– Cloud infrastructure	116,772	28,687	–	145,459	62,750	22,889	–	85,639
– Security	17,463	1,176	6,918	25,557	19,555	7,649	6,813	34,017
Total revenue from contracts with customers	134,235	29,863	6,918	171,016	82,305	30,538	6,813	119,656
Type of customers								
– Public sector	43,606	16,225	–	59,831	20,124	18,284	–	38,408
– Private sector	90,629	13,638	6,918	111,185	62,181	12,254	6,813	81,248
Total revenue from contracts with customers	134,235	29,863	6,918	171,016	82,305	30,538	6,813	119,656
Type of contract duration								
– Within twelve months	133,540	20,192	5,397	159,129	77,806	23,330	6,813	107,949
– Over twelve months but less than twenty-four months	695	4,150	615	5,460	4,422	3,149	–	7,571
– Over twenty-four months	–	5,521	906	6,427	77	4,059	–	4,136
Total revenue from contracts with customers	134,235	29,863	6,918	171,016	82,305	30,538	6,813	119,656

	Nine months ended 30 September							
	2019				2018			
	System integration	Maintenance services	Cyber security services	Total	System integration	Maintenance services	Cyber security services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Type of goods or services								
- Cloud infrastructure	231,828	88,603	-	320,431	153,102	64,592	-	217,694
- Security	61,885	4,393	17,065	83,343	70,733	14,399	20,234	105,366
Total revenue from contracts with customers	293,713	92,996	17,065	403,774	223,835	78,991	20,234	323,060
Type of customers								
- Public sector	106,514	50,277	-	156,791	45,169	41,451	-	86,620
- Private sector	187,199	42,719	17,065	246,983	178,666	37,540	20,234	236,440
Total revenue from contracts with customers	293,713	92,996	17,065	403,774	223,835	78,991	20,234	323,060
Type of contract duration								
- Within twelve months	292,818	73,744	15,358	381,920	219,169	65,854	20,234	305,257
- Over twelve months but less than twenty-four months	752	6,754	681	8,187	4,422	4,093	-	8,515
- Over twenty-four months	143	12,498	1,026	13,667	244	9,044	-	9,288
Total revenue from contracts with customers	293,713	92,996	17,065	403,774	223,835	78,991	20,234	323,060

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

## 4. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Costs of inventories recognised as expenses	129,355	81,734	296,420	224,556
Employee costs	20,968	17,545	64,240	58,692
Subcontracting costs	7,276	2,432	17,824	8,411
Net provision for/(written back of) impairment of trade receivables	3,068	(370)	7,038	(629)
Agency commission	–	–	–	3,000
Amortisation of intangible assets	1,011	763	2,776	2,150
Depreciation of property, plant and equipment	793	978	2,636	3,008
Research and development costs	806	699	2,506	2,134
Depreciation of right-of-use assets	365	–	1,119	–
Operating lease payments in respect of rented premises	194	469	303	1,513

## 5. INCOME TAX (CREDIT)/EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Korea	(158)	670	(397)	1,012
	(158)	670	(397)	1,012
Deferred Tax				
– Korea	(320)	(15)	(399)	304
– Hong Kong	365	110	261	138
	45	95	(138)	442
Total	(113)	765	(535)	1,454



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A Korea subsidiary of the Group, Global Telecom Company Limited (“Global Telecom”), is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively “Korean Corporate Income Tax”). Korean Corporate Income Tax is charged at the progressive rate from 11.0% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during each of the periods presented.

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK\$1.4 million);
- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK\$1.4 million) and up to KRW20 billion (equivalent to approximately HK\$135.0 million);
- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK\$135.0 million).

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Under two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two tiered rates. Hong Kong profits tax of the nominated entity is calculated at below basis.

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

For those entities do not qualify for two-tiered tax rates, a tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earning per share is based on the following data.

	Nine months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period attributable to owners of the Company	(7,826)	1,679

	Nine months ended 30 September	
	2019	2018
	Number'000	Number'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	400,000	400,000

Weighted average of 400,000,000 shares for the nine months ended 30 September 2019 represents the number of shares in issue throughout the period.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares in issue during the nine months ended 30 September 2019 and 2018.

## 7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (corresponding period in 2018: nil).

## 8. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF KEY MANAGEMENT

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Remuneration of directors and other members of key management	3,213	2,174	7,525	6,331

## Financial Review

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2019

	Nine months ended		Change	Change
	2019	2018		
	HK\$'000	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)		
Revenue	403,774	323,060	80,714	25.0%
Cost of sales and services	(354,873)	(264,609)	90,264	34.1%
Gross profit	48,901	58,451	(9,550)	(16.3%)
Other income, net	4,337	840	3,497	416.3%
Selling and administrative expenses	(60,922)	(55,375)	5,547	10.0%
Finance costs	(1,132)	(783)	349	44.6%
(Loss)/profit before income tax	(8,816)	3,133	(11,949)	(381.4%)
Income tax credit/(expenses)	535	(1,454)	(1,989)	(136.8%)
(Loss)/profit for the period	(8,281)	1,679	(9,960)	(593.2%)

The business environment where the Group is operating continues to be challenging due to trade wars between United States – China and Korea – Japan, as well as geopolitical protests in Hong Kong territory. In this challenging environment, the Group decided to maintain or increase market share by winning key projects against our peers, sacrificing some margins in the process, and to ride out this challenging period as a strong player. Our results of the past 9 months reflected the adoption of this strategy. For the nine months ended 30 September 2019, the Group generated a revenue of approximately HK\$403.8 million, which represented an increase of HK\$80.7 million or 25.0% compared to the same corresponding period in last year. The increase in revenue was substantially contributed by the rising revenue in system integration segment which accounted for 86.6% of the growth in the

Group's revenue. Apart from a few large size projects awarded in second quarter of 2019, our Korea subsidiary gained another new project with a contract sum amounting to HK\$34.4 million in third quarter of 2019 from National IT Industry Promotion Agency. As a result, revenue from system integration segment increased by HK\$69.9 million for the nine months ended 30 September 2019.

The Group's gross profit decreased by approximately HK\$9.6 million or 16.3% from HK\$58.5 million for the nine months ended 30 September 2018 to HK\$48.9 million for the nine months ended 30 September 2019. The reasons for such decrease comprised 1) unfavourable exchange rate leading to higher cost of sales; 2) lower margin on new projects to penetrate and win market share and 3) lesser high margin public sector projects due to government delay of budget spending.

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## Management Discussion and Analysis

Other income for the nine months ended 30 September 2019 mainly represented the write-back of a provision made for litigation cases during the year of 2018.

Selling and administrative expenses were approximately HK\$60.9 million for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: approximately HK\$55.4 million), representing an increase of HK\$5.5 million or 10.0% mainly attributable to the provision for impairment of trade receivables of HK\$7.0 million incurred during the period (write-back of impairment of trade receivables for the nine months ended 30 September 2018: HK\$0.6 million). This financial year, the Group has adopted HKFRS 9 which uses expected credit loss model to calculate provision of account receivables and hence recording an unexpectedly high provision of trade receivables. Other than this abnormal item, the Group has exerted good control on selling and administrative expenses.

Despite the 25.0% increase in revenue and good control over operating costs, the Group still suffered a loss before income tax, mainly due to the 34.1% increase in cost of sales and services. After a tax credit of HK\$0.5 million, our loss after tax stood at HK\$8.3 million for the nine months ended 30 September 2019. Disregarding the HK\$7.0 million provision of account receivables in the past nine months, the loss after tax for the nine months ended 30 September 2019 would have been HK\$1.3 million only. Anyhow, compared to the loss of HK\$8.6 million for the first six months of 2019, this result showed that we were able not only to stop the loss, but also to achieve a turnaround by recording a small profit of HK\$0.3 million in the third quarter of 2019.

### Liquidity and Financial Resources

As at 30 September 2019, the Group's net current assets were HK\$71.6 million showing a strong liquidity.

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 30 September 2019, the gearing ratio was 41.1% (as at 31 December 2018: 17.1%). The increase was mainly due to additional bank borrowings of approximately HK\$23.8 million to support increase in revenue. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 1.5 times (as at 31 December 2018: 1.5 times), reflecting the adequacy of financial resources.

As at 30 September 2019, the Group recorded cash and cash equivalents of approximately HK\$99.1 million (as at 31 December 2018: approximately HK\$136.1 million), which included approximately KRW14,604 million, HK\$3.3 million and US\$0.02 million.

As at 30 September 2019, the Group had variable rate bank borrowings of approximately US\$6.0 million, which was equivalent to approximately HK\$47.0 million (as at 31 December 2018: approximately HK\$23.2 million). Certain banking borrowings are guaranteed by Korea Credit Guarantee Fund which is a public financial institution independent of the Group.

### Foreign Exchange Exposure

The Group's business in Korea was exposed to currency risk that mainly arose from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are in US\$). In preparing the costing

of our system integration project in which procurement of components in US\$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US\$ between the costing date and the relevant settlement date. During the past nine months in 2019, we experienced an unfavourable foreign exchange movement in the Korea operation, and hence, recorded an increase in cost of goods sold.

Revenue and cost of our Hong Kong operation are mainly denominated in HK\$. There is no significant currency risk arising from it.

#### Charges on Group's Assets

As at 30 September 2019, fixed deposits amounting to HK\$3.3 million were 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 as at 30 September 2019.

#### Business Review

Set out below are the details of the movement of the number of system integration projects up to 30 September 2019.

Number of projects at 1 January 2019	47
Number of new projects awarded	609
Number of projects completed during period	(572)
Number of projects as at 30 September 2019	84

The carrying amount of the Group's unlisted equity securities as at 30 September 2019 accounted for approximately 1.1% of the Group's total assets and is not significant. The unlisted equity securities mainly represent the investment in KSFC (a cooperative established pursuant to the Software Industry Promotion Act with the purpose of promoting the development of the IT industry in Korea) for its membership. Depending on the amount of investment in KSFC, a member of KSFC is granted a certain amount of guarantee limit by KSFC for use in its operation.

The Group did not have any plan for material investments or capital asset as at 30 September 2019 as well.

#### Significant Acquisitions and Disposals

Saved for the acquisition of Maximus Group Consulting Limited completed on 3 June 2019, the Group had not made any significant acquisition or disposal for the nine months ended 30 September 2019.

#### Contingent Liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities.

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## Management Discussion and Analysis

System integration business segment was growing and generated a revenue of HK\$293.7 million for the nine months ended 30 September 2019, an increase by HK\$69.9 million or 31.2% compared to the corresponding period in last year. The increase was attributable to deployment of sizable projects in our Korea operation. Revenue generated from maintenance services segment has also increased by HK\$14.0 million from HK\$79.0 million for the nine months ended 30 September 2018 to HK\$93.0 million for the nine months ended 30 September 2019, driven by the increase in number of maintenance contracts.

As at 3 June 2019, the Group completed the acquisition of Maximus Group Consulting Limited and its subsidiary, Maximus Consulting (Hong Kong) Limited. Making use of the resources and expertise of these new subsidiaries, the Group deepened cyber security services market penetration and captured more opportunities for larger scale projects, such as a three-year contract signed with one of the largest stock brokerage firms in Hong Kong mentioned in our announcement dated 17 July 2019. Revenue from cyber security services segment was not increasing compared to last year but was in an improving trend in the third quarter, bounced back from an adverse trend in the first half of 2019. For the nine months ended 30 September 2019, the Group recorded a revenue of HK\$17.1 million from cyber security services segment.

### Prospects

Suffering from the universal economic downturn, many corporations are struggling in this challenging business environment currently. The Group, nevertheless, won more

businesses during this difficult period and generated a revenue of HK\$403.8 million for the nine months ended 30 September 2019. Undoubtedly, negative economic factors are affecting the financial results of the Group to certain extent, especially the sales margin. The Group, however, strives to win more businesses in the remaining period of 2019.

### Employees and Remuneration Policy

As at 30 September 2019, the Group had an aggregate of 193 (30 September 2018: 159) employees. Such increase represented the recruitment of more engineers deploying sizable government projects in Korea.

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\$64.2 million for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: approximately HK\$58.7 million).

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 30 September 2019, no share option had been granted.

In enhancing the competitiveness and improving staff quality through continuous learning, the Group provides our staff with regular technical and on-the-job trainings and encourages our staff to attend external seminars and sit for examinations to develop their knowledge continuously.

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

As at 30 September 2019, 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 <small>(Note 4)</small>
Mr. Phung Nhuong Giang <small>(Notes 1,2 and 3)</small> ("Mr. Phung")	Interest held jointly with other persons/Interest in controlled corporation/Interest of spouse	262,917,327	65.73%
Mr. Suh Seung Hyun <small>(Notes 1 and 2)</small> ("Mr. Suh")	Interest held jointly with other persons/Interest in controlled corporation	262,917,327	65.73%
Mr. Lee Seung Han <small>(Notes 1 and 2)</small> ("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 of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (3) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Mr. Phung is deemed to be interested in all the Shares in which Ms. Marilyn Tang is interested under Part XV of the SFO.
- (4) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 September 2019 (i.e. 400,000,000 Shares).

## Corporate Governance and Other Information

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2019, so far as known to the Directors, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

### Long Positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital (Note 8)
LiquidTech <sup>(Note 1)</sup>	Beneficial owner	262,917,327	65.73%
AMS <sup>(Notes 1, 2 and 3)</sup>	Interest in controlled corporation	262,917,327	65.73%
Mr. Park <sup>(Notes 2 and 3)</sup>	Interest held jointly with other persons/ Interest in controlled corporation	262,917,327	65.73%
Ms. Marilyn Tang <sup>(Notes 2, 3 and 4)</sup>	Interest held jointly with other persons/ Interest in controlled corporation/ Interest of spouse	262,917,327	65.73%
Ms. Lee Kim Sinae <sup>(Note 5)</sup>	Interest of spouse	262,917,327	65.73%
Ms. Suh Kim Seong Ock <sup>(Note 6)</sup>	Interest of spouse	262,917,327	65.73%
Ms. Shin Hee Kum <sup>(Note 7)</sup>	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 of the Company, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 65.73% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 65.73% interest in the share capital of the Company.
- (4) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Ms. Marilyn Tang is deemed to be interested in all the Shares in which Mr. Phung is interested under Part XV of the SFO.
- (5) Ms. Lee Kim Sinae is the spouse of Mr. Lee. Ms. Lee Kim Sinae is deemed to be interested in all the Shares in which Mr. Lee is interested under Part XV of the SFO.
- (6) Ms. Suh Kim Seong Ock is the spouse of Mr. Suh. Ms. Suh Kim Seong Ock is deemed to be interested in all the Shares in which Mr. Suh is interested under Part XV of the SFO.
- (7) Ms. Shin Hee Kum is the spouse of Mr. Park. Ms. Shin Hee Kum is deemed to be interested in all the Shares in which Mr. Park is interested under Part XV of the SFO.
- (8) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 September 2019 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

## SHARE OPTION SCHEME

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its securities dealing code ("Securities Dealing Code") which is no less exacting than the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his compliance with the Securities Dealing Code during the nine months ended 30 September 2019.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2019, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

### **CORPORATE GOVERNANCE PRACTICES**

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

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

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the nine months ended 30 September 2019.

### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES**

The Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares during the nine months ended 30 September 2019.

### **AUDIT COMMITTEE**

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. For the nine months ended 30 September 2019, the Audit Committee consists of three independent non-executive Directors namely, Mr. Wong Sik Kei, Mr. Yung Kai Tai and Mr. Sum Chun Ho. Mr. Sum Chun Ho possesses the appropriate professional accounting qualifications and serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of our Group's internal audit function, financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee had reviewed the unaudited quarterly results of the Company for the nine months ended 30 September 2019.

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

Hong Kong, 8 November 2019