FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

2019
ANNUAL REPORT

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Chan Suet Lam

AUDITOR

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STOCK CODE

8229

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to inform you that Future Data Group Limited and its subsidiaries (the "Group") has achieved the 4th consecutive year of profitability after being listed on GEM of the Stock Exchange of Hong Kong in 2016, by delivering HK$4.0 million of profit after tax for the fiscal year 2019.

Here is my report of the Group's financials for 2019:

The business environment where the Group operates was challenging due to the prolonged trade war between United States – China and trade spat between Korea – Japan, as well as political protests in the Hong Kong territory. In this challenging environment, the Group decided to maintain its market share by winning key projects against our peers, sacrificing some margins in the process, and to ride out this difficult period and emerge from it as a strong player. Our results reflected the adoption of this strategy.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2019, the Group generated revenue of approximately HK$646.5 million, which represented an increase of HK$41.3 million or 6.8% compared to the corresponding period in the previous year. A substantial portion of the increase in revenue was contributed by the rising revenue in the system integration and maintenance services segment, which accounted for 96.1% of the Group's revenue.

However, our gross profit contracted by 9.7% to HK$87.0 million in 2019 relative to the prior year. Other income rose to HK$5.0 million in 2019 compared to HK$2.2 million last year; whereas selling and administrative expenses were 1% less than the year before. This shows our ability to control costs while growing market share, resulting in the profit before income tax of HK$4.3 million and profit after tax of HK$4.0 million for the year ended 31 December 2019.

The Group's net assets and total equity stood at approximately HK$130.2 million as at 31 December 2019. This was slightly lower than that of 2018, due to an exchange loss on currency translation resulting from unfavorable movement of South Korean Won against Hong Kong Dollars. Equity attributable to owners of the Company per share of approximately Hong Kong cents 32.3 (total share capital: 400,000,000 shares).

Our operations generated more than HK$21.6 million of positive cash flow from operating activities before working capital changes and income tax paid. This amount was almost identical to that of 2018, resulting in the Group's accumulative cash flows from operating activities before working capital changes and income tax paid for the past 2 years was more than HK$43.2 million, showing impressive free cash flow and indicating our financial strength to support business expansion beyond the Korea and Hong Kong markets using internal financial resources.

Taking into account working capital changes, net cash used in investing and financing activities, our cash and cash equivalents were lower by HK$15.7 million compared to 31 December 2018, and stood at HK$116.1 million as at 31 December 2019, or cash per share of approximately Hong Kong cents 29.0.

Below were other notable highlights for 2019:

- HK$34.4 million contract in third quarter of 2019 from Korea's National IT Industry Promotion Agency

- HK$19.2 million contract from Department of Defense, Republic of Korea to establish integrated control system for Air Bases

- HK$10.5 million contract from Korea Expressway to renew its ICT infrastructure

- HK$10.4 million contract from Seoul Traffic Broadcasting System (TBS) to build media rich information system

- HK$9.2 million contract from Korea Post to build an integrated information security management system

- Completed the HK$12.0 million acquisition of 64.86% control of Maximus Group Consulting Limited and its subsidiary, Maximus Consulting (Hong Kong) Limited in June 2019

- Won 3-year contract with one of the largest stock brokerage firms in Hong Kong using our proprietary software, *Black Diamond*, to deliver managed security services

- HK$25.0 million contribution to the Group's total revenue in 2019 through the delivery of numerous cyber security projects in Hong Kong. Given the disruptions caused by the protests there, this is a particularly commendable achievement by our cyber security

- The Group has signed a Memorandum of Understanding ("MoU") to acquire a technology company in Beijing, China, but we let the MoU lapse as the business risk of Hong Kong protests continued to mount during the year

With a stable and growing business in Hong Kong, we have now lowered the geographical concentration risk from a single operation in Korea, as was mentioned in my previous report. In light of this success, the Group shall continue to explore business opportunities in the Singapore and Vietnam markets during 2020.

As I write this report to you, our valued shareholders, the Covid-19 pandemic is happening and causing loss of lives. We saw initial disruption to the business, as we face travel restrictions and business meeting cancellations and hence this will have impact to our business in the first half of 2020. However, in these dark months, we see opportunities related to the nature of our business which are to deliver more capacity to support higher demand for data services in the network and data center; to support online activities; and to protect online transactions, which are the current trends as people rely on data services when required to exercise social distancing. As such, we anticipate a recovery in the second half of 2020.

On behalf of the Board, I would like to express my gratitude to our management team and staff members for their continued support and contribution to the Group during the past year and I am looking forward to the 5th consecutive profitable year in 2020.

Suh Seung Hyun
Chairman

23 March 2020

STATEMENT OF PROFIT OR LOSS ANALYSIS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000	Change HK$'000	Change %
Revenue	646,470	605,161	41,309	6.8%
Cost of sales and services	(559,441)	(508,743)	50,698	10.0%
Gross profit	87,029	96,418	(9,389)	(9.7%)
Other income	4,974	2,154	2,820	130.9%
Selling and administrative expenses	(86,297)	(87,206)	(909)	(1.0%)
Finance costs	(1,445)	(1,017)	428	42.1%
Profit before income tax	4,261	10,349	(6,088)	(58.8%)
Income tax expense	(220)	(4,591)	(4,371)	(95.2%)
Profit for the year	4,041	5,758	(1,717)	(29.8%)

REVENUE

Despite the challenges related to trade tensions and political protests in our operating environment, the Group recorded an increase in revenue of HK$41.3 million or 6.8% to HK$646.5 million for the year ended 31 December 2019 when compared to HK$605.2 million achieved in 2018. The increase in revenue was attributable to the strategy of sacrificing some margins to maintain or increase market share. All business segments showed revenue growth for the year ended 31 December 2019.

Korea operation contributed HK$621.5 million or 96.1% to total revenue of the Group of which HK$484.6 million from system integration segment and HK$136.9 million from maintenance services segment. The surge in revenue was attributable to some large system integration projects awarded.

The Group completed the acquisition of Maximus Group Consulting Limited and its subsidiary, Maximus Consulting (Hong Kong) Limited (collectively refer to "MXC" in this section) in June 2019. The acquisition deepens our penetration into cyber security market, captures larger scale projects and maintains the positive growth in Hong Kong despite political unrest since June 2019. Revenue generated from cyber security segment increased by HK$0.8 million or 3.2% to HK$25.0 million for the year ended 31 December 2019 from HK$24.2 million for the year earlier.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit reduced by approximately HK$9.4 million or 9.7% to HK$87.0 million for the year ended 31 December 2019 from HK$96.4 million for the year ended 31 December 2018. The reasons were 1) unfavourable exchange rate leading to higher cost of sales; 2) lower margin on new projects to win market share; and 3) lesser high margin public sector projects due to delay in government budget spending. As a result, the Group's gross profit margin also reduced by 2.4% from 15.9% for the year ended 31 December 2018 to 13.5% for the year ended 31 December 2019.

OTHER INCOME

Other income increased by 130.9% to approximately HK$5.0 million in 2019 mainly attributable to the write-back of a provision made for litigation cases filed in previous year.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses were approximately HK$86.3 million for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$87.2 million), representing a slight drop by HK$0.9 million or 1.0% which shows management's ability to control costs.

PROFIT FOR THE YEAR

Resulting from the lower of gross profit but mitigated by an increase in other income and slight decrease in selling and administrative expenses, the Group's profit before income tax stood at HK$4.3 million for the year ended 31 December 2019 which was HK$6.1 million or 58.8% lower than that of 2018.

In 2019, income tax expense was a mere HK$0.2 million, showing a saving of HK$4.4 million as compared to 2018. As a result of lower profit before income tax mitigated by a lower income tax expense, profit for the year stood at HK$4.0 million in 2019, slightly lower than HK$5.8 million recorded in 2018.

STATEMENT OF FINANCIAL POSITION ANALYSIS

As at 31 December 2019

	2019 HK$'000	2018 HK$'000	Change HK$'000	Change %
Property, plant and equipments	**6,715**	6,858	(143)	(2.1%)
Intangible assets	**13,854**	12,319	1,535	12.5%
Goodwill	**7,534**	–	7,534	100.0%
Other financial assets	**5,000**	4,810	190	4.0%
Guarantee deposits	**4,671**	4,531	140	3.1%
Deferred tax assets	**7,160**	6,053	1,107	18.3%
Non-current assets	**44,934**	34,571	10,363	30.0%
Inventories	**9,729**	6,337	3,392	53.5%
Trade and other receivables	**89,794**	131,133	(41,339)	(31.5%)
Amount due from ultimate holding company	**–**	5,874	(5,874)	(100.0%)
Contract assets	**21,623**	21,595	28	0.1%
Prepayments	**10,748**	6,438	4,310	66.9%
Pledged fixed bank deposits	**3,372**	3,486	(114)	(3.3%)
Fixed bank deposits	**4,316**	4,461	(145)	(3.3%)
Cash and cash equivalents	**116,075**	136,134	(20,059)	(14.7%)
Current assets	**255,657**	315,458	(59,801)	(19.0%)
Trade and other payables	**115,966**	180,721	(64,755)	(35.8%)
Contract liabilities	**30,443**	5,563	24,880	447.2%
Lease liabilities	**993**	–	993	100.0%
Bank borrowings	**20,582**	23,224	(2,642)	(11.4%)
Tax payable	**239**	3,893	(3,654)	(93.9%)
Deferred tax liabilities	**378**	–	378	100.0%
Current liabilities	**168,601**	213,401	(44,800)	(21.0%)
Lease liabilities	**661**	–	661	100.0%
Defined benefit obligations	**1,181**	942	239	25.4%
Non-current liabilities	**1,842**	942	900	95.5%
Net assets	**130,148**	135,686	(5,538)	(4.1%)

NON-CURRENT ASSETS

As at 31 December 2019, the Group recorded non-current assets of HK$44.9 million representing an increase of approximately HK$10.4 million or 30.0% when compared to that as at 31 December 2018. This was mainly due to recognition of goodwill of HK$7.5 million and addition to intangible assets of HK$2.9 million arising from the acquisition of MXC and addition to right-of-use assets of HK$1.7 million.

During the year, the Group has allocated resources on software development to enrich our Black Diamond product and an amount of HK$2.9 million was capitalised. As at 31 December 2019, the balance of intangible assets was HK$13.9 million. The management team is positive that the intellectual properties investment presented here will continuously contribute better revenue to the Group in the coming periods.

CURRENT ASSETS

As at 31 December 2019, the Group recorded HK$255.7 million in current assets which was HK$59.8 million lower than that as at 31 December 2018 of HK$315.5 million. This was resulted by a combination of decrease in trade and other receivables and cash and cash equivalents.

The Group's cash and cash equivalents stood at HK$116.1 million as at 31 December 2019. Cash to current liabilities ratio increased from 63.8% in 2018 to 68.8% in 2019 representing a strong liquidity and ability to settle its current obligations.

CURRENT LIABILITIES

The Group's current liabilities decreased by approximately HK$44.8 million from HK$213.4 million as at 31 December 2018 to HK$168.6 million as at 31 December 2019. The decrease was due to a decrease in trade and other payables by HK$64.8 million which was mitigated by the increase in contract liabilities by HK$24.9 million.

As at 1 January 2019, HKFRS 16 for lease accounting became effective and was immediately adopted by the Group. HKFRS 16 stipulated that right-of-use assets and lease liabilities were recognised on the consolidated statement of financial position, and the current portion of lease liabilities was HK$1.0 million as at 31 December 2019 translating to an insignificant impact to the Group's financial statements.

NON-CURRENT LIABILITIES

The Group has no significant non-current liabilities as at 31 December 2019.

NET ASSETS

As a result, the Group's net assets stood at HK$130.2 million as at 31 December 2019 which was HK$5.5 million lower than HK$135.7 million as at 31 December 2018.

Unfavourable movement of South Korean Won against Hong Kong Dollars continued to impact our financial results in 2019. The Group recorded an exchange loss on translation of foreign operations of approximately HK$3.4 million for the year ended 31 December 2019 which significantly eroded the total comprehensive income generated by the Group during the year.

Following the acquisition of MXC, the Group recorded a non-controlling interest as equity. As at 31 December 2019, the balance of non-controlling interest was HK$1.0 million.

STATEMENT OF CASH FLOWS ANALYSIS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000	Change HK$'000	Change %
Profit before income tax expenses	**4,261**	10,349	(6,088)	(58.8%)
Total adjustments for operating activities	**17,361**	11,177	6,184	55.3%
Operating profit before working capital changes	**21,622**	21,526	96	0.4%
Changes on:				
– Guarantee deposits	**–**	325	(325)	(100.0%)
– Inventories	**(3,365)**	(1,996)	1,369	68.6%
– Trade and other receivables	**27,721**	(29,355)	(57,076)	(194.4%)
– Contract assets	**1,232**	(12,816)	(14,048)	(109.6%)
– Prepayments	**(4,285)**	(2,535)	1,750	69.0%
– Trade and other payables	**(58,408)**	30,789	(89,197)	(289.7%)
– Contract liabilities	**19,186**	3,430	15,756	459.4%
– Defined benefit obligations	**(1,822)**	(812)	1,010	124.4%
Cash generated from operations	**1,881**	8,556	(6,675)	(78.0%)
Income taxes paid	**(6,034)**	(2,894)	3,140	108.5%
Income taxes refunded	**108**	833	(725)	(87.0%)
Interest received	**612**	417	195	46.8%
Net cash (used in)/generated from operating activities	**(3,433)**	6,912	(10,345)	(149.7%)
Net cash outflows from acquisition through business combinations	**(2,843)**	–	2,843	100.0%
Research and development expenditures	**(2,854)**	(3,580)	(726)	(20.3%)
Purchases of property, plant and equipment	**(1,519)**	(3,073)	(1,554)	(50.6%)
Purchases of other financial assets	**(228)**	(315)	(87)	(27.6%)
Proceeds from disposal of property, plant and equipment	**98**	18	80	444.4%
Decrease in fixed bank deposits	**–**	570	(570)	(100.0%)
Decrease/(increase) in amount due from ultimate holding company	**5,874**	(5,874)	(11,748)	(200.0%)
Net cash used in investing activities	**(1,472)**	(12,254)	(10,782)	(88.0%)
Proceeds from bank borrowings	**145,304**	108,377	36,927	34.1%
Repayments of bank borrowings	**(146,834)**	(100,503)	46,331	46.1%
Interest paid	**(1,445)**	(1,010)	435	43.1%
Repayments of principal portion of the lease liabilities	**(1,941)**	–	1,941	100.0%
Dividend paid	**(5,880)**	–	5,880	100.0%
Net cash (used in)/generated from financing activities	**(10,796)**	6,864	(17,660)	(257.3%)

	2019 HK$'000	2018 HK$'000	Change HK$'000	Change %
Net (decrease)/increase in cash and cash equivalents	(15,701)	1,522	(17,223)	(1,131.6%)
Cash and cash equivalents at beginning of year	136,134	141,062	(4,928)	(3.5%)
Effect of exchange rate changes	(4,358)	(6,450)	(2,092)	(32.4%)
Cash and cash equivalents at end of year	116,075	136,134	(20,059)	(14.7%)

CASH FLOWS FROM OPERATING ACTIVITIES

The Group generated HK$21.6 million cash inflow from operating activities before working capital changes and income tax paid in 2019, which was HK$0.1 million lower than that in 2018. After changes in working capital and income tax paid, cash outflow of HK$3.4 million was recorded.

Operating cash flows decreased by HK$10.3 million for the year ended 31 December 2019 from cash inflow of approximately HK$6.9 million for the year ended 31 December 2018. The decrease was mainly due to the cash used in settlement of trade and other payables exceeded the cash generated from the collection of trade and other receivables during 2019.

CASH FLOWS FROM INVESTING ACTIVITIES

The Group recorded net cash outflow from investing activities of HK$1.5 million in 2019 which was substantially lower than cash outflow of HK$12.2 million recorded in 2018. This was due to settlement of the amount due from ultimate holding company of HK$5.9 million and net cash outflow of HK$2.8 million related to acquisition of MXC.

CASH FLOWS FROM FINANCING ACTIVITIES

The Group recorded net cash outflow from financing activities of HK$10.8 million resulting from dividend payment of HK$5.9 million and repayment of principal portion of the lease liabilities of HK$1.9 million.

As a result, the Group incurred a net decrease in cash and cash equivalents of HK$15.7 million for the year ended 31 December 2019. Combining the unfavourable effect of exchange rate change, the Group's cash and cash equivalents decreased by HK$20.1 million or 14.7% to approximately HK$116.1 million as at 31 December 2019 relative to that of 2018.

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2019, the Group's net current assets stood at HK$87.1 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 2018: 1.5 times), reflecting the adequacy of financial resources.

The Group expresses its gearing ratio as a percentage of total debt over total equity. As at 31 December 2019, the gearing ratio maintained at 17.1% (as at 31 December 2018: 17.1%). The Group had variable rate bank borrowings of approximately US$2.6 million, which was equivalent to approximately HK$20.6 million (as at 31 December 2018: approximately HK$23.2 million). Certain bank borrowings are guaranteed by Korea Credit Guarantee Fund which is a public financial institution independent of the Group.

As at 31 December 2019, the Group recorded cash and cash equivalents of approximately HK$116.1 million (as at 31 December 2018: approximately HK$136.1 million), which included approximately KRW14,966 million, HK$4.9 million and US$1.3 million.

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

Foreign Exchange Exposure

The Group's business in Korea is 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 between the costing date and the relevant settlement date. During the year of 2019, we experienced an unfavourable foreign exchange movement, and hence, recorded an increase in cost of goods sold.

Revenue and cost of our Hong Kong operation are both denominated in Hong Kong Dollars ("HK$"). Hence, there is no currency risk arising from it.

Charges on Group's Assets

As at 31 December 2019, fixed deposits amounting to HK$3.4 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 for the year ended 31 December 2019.

The carrying amount of the Group's unlisted equity securities as at 31 December 2019 accounted for approximately 0.9% of the Group's total assets and was 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 31 December 2019.

Significant Acquisitions and Disposals

Save for the acquisition of MXC in June 2019, the Group had not made any significant acquisition or disposal for the year ended 31 December 2019.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019.

Business Review

Set out below are the details of the movement of the number of system integration projects up to 31 December 2019.

Number of projects at 1 January 2019	47
Number of new projects awarded	867
Number of projects completed during year	867
Number of projects as at 31 December 2019	47

Majority of the Group's revenue was derived from the provision of system integration solution services. Revenue from this segment increased by HK$22.4 million or 4.9% to HK$484.6 million for the year ended 31 December 2019 when compared to HK$462.1 million for the year ended 31 December 2018. The increase was attributable to more new and larger scale projects awarded in 2019. These larger scale projects included National IT Industry Promotion Agency, Department of Defense in Republic of Korea and Korea Expressway. At the end of the reporting period, the Group possessed a backlog of system integration projects amounting to HK$86.9 million.

Following the acquisition of MXC in June 2019, cyber security services business was classified separately from the maintenance services segment. For the year ended 31 December 2019, revenue of the Group generated from maintenance services was approximately HK$136.9 million, representing an increase of approximately HK$18.1 million or 15.2% when compared to last year.

Cyber security services business was carried out by subsidiaries in Hong Kong. Affected by the political unrest in 2019, revenue from this segment increased slightly by HK$0.8 million or 3.2% from HK$24.2 million for the year ended 31 December 2018 to HK$25.0 million for the year ended 31 December 2019 while the backlog of this segment as at year-end date was approximately HK$17.5 million.

Key performance indicators

	2019	2018	Change
	KRW'million	KRW'million	%
Average productivity per operating staff – Korea	863/employee	911/employee	-5.3%
	HK$'000	HK$'000	%
Average productivity per operating staff – Hong Kong	1,425/employee	1,343/employee	+6.1%
	KRW'million	KRW'million	%
Average contract price for system integration project	94	80	+16.7%
	Number of projects	Number of projects	Number of projects
Number of new system integration projects awarded	867	814	+53

During the year, both the number of staff and revenue in Korea have an increase but percentage change of the former has outweighed the latter, resulted in a decrease in average productivity by 5.3% to KRW 863 million per employee for the year ended 31 December 2019 compared to that of 2018.

Prospects

Suffering from the universal economic downturn, many corporates are struggling in this challenging business environment currently. The Group, nevertheless, won more businesses during this difficult period and generated a revenue of HK$646.5 million for the year ended 31 December 2019. Undoubtedly, negative economic factors are affecting the financial results of the Group to certain extent, especially sales margin. The outbreak of novel coronavirus began in early 2020 hit economic activities further by disrupting regular operation. The negative impacts from financial panic in 2020 is unclear. The Group will adopt prudent strategy of rigid cost controls countering economic uncertainties during 2020.

Employees and Remuneration Policy

As at 31 December 2019, the Group had an aggregate of 189 (31 December 2018: 166) employees. Such increase represented the recruitment of more engineers to support sizable projects in Korea.

The employees of the Group are remunerated according to their skill, role and responsibilities. They are also entitled to discretionary bonus based on their respective performance. Total employee costs, including Directors' emoluments, amounted to approximately HK$94.9 million for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$86.7 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 31 December 2019, no share option had been granted.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Suh Seung Hyun（徐承鉉）

EXECUTIVE DIRECTORS

Mr. Suh Seung Hyun (徐承鉉), aged 50, 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 22 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Suh started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Phung Nhuong Giang（馮潤江）

EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang (馮潤江), aged 58, 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 was appointed as a director of Maximus Group Consulting Limited ("Maximus Group") and its subsidiary, Maximus Consulting (Hong Kong) Limited on 3 June 2019. He was also appointed as a director of MXC Security (Singapore) Pte. Ltd., a wholly-owned subsidiary of Maximus Group, on 10 July 2019. 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 31 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 49, 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 23 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 46, 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 18 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 72, 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）

Mr. Yung Kai Tai（容啟泰）

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sum Chun Ho（沈振豪）, aged 48, was appointed as our independent non-executive Director on 2 November 2016 and is the chairman of our audit committee. Mr. Sum has over 23 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yung Kai Tai（容啟泰）, aged 69, 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 35 years' experience in the information and communication technology industry. Mr. Yung joined the Hong Kong Productivity Council in March 1983 and has over 29 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 47, 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 20 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 42, 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 16 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 47, 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 21 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. Chung Pui Nam Roger (鍾沛南)

SENIOR MANAGEMENT

Mr. Chung Pui Nam Roger 鍾沛南, aged 51, is the CEO of the cyber security business. He has over 30 years of experiences in the Information Technology and Cyber Security Advisory Industry for Asia. Mr. Chung is responsible for business strategy, overall sales, research & development and operational management of Maximus Consulting (Hong Kong) Limited ("Maximus HK") since April 2003.

Prior to the establishment of Maximus HK, Mr. Chung held various technical and senior management positions in companies listed in NASDAQ (Borland, Symantec and Valicert) and in a multi-national airline company. Mr. Chung has expertise in software design and development (DevOps), system engineering and enterprise security technologies.

Mr. Chung holds EMBA and a computer engineering degree from the Queen's University of Brighton and Brighton Polytechnic in 1992.

Mr. Soh Jeffrey Chow Hock

SENIOR MANAGEMENT

Mr. Jeffrey Soh, aged 35, 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 14 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 40, 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 11 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 2019, 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 2019.

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)*
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 and member of the Remuneration Committee and the Nomination Committee)
Mr. Yung Kai Tai
(Chairman of the No*mination Committee and member of the Audit Committee and the Remuneration Committee)*

The biographical information of the Directors are set out on pages 16 to 18 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 2019, 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 2019:

Types of training	
Executive Directors	
Mr. Suh Seung Hyun	A
Mr. Phung Nhuong Giang	A
Mr. Lee Seung Han	A
Mr. Ryoo Seong Ryul	A
Independent non-executive Directors	
Mr. Wong Sik Kei	A
Mr. Sum Chun Ho	A, B
Mr. Yung Kai Tai	A

A Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B Reading relevant news alerts, newspapers, journals, magazines and relevant publications

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.

All 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 2019, 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 2018; quarterly financial results and report for the three months and nine months ended 31 March 2019 and 30 September 2019 respectively; and interim financial results and report for the six months ended 30 June 2019 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 2019 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 currently consists of three members, Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai, all of whom are 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 2019, 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 currently consists of three members, Mr. Yung Kai Tai, Mr. Sum Chun Ho and Mr. Wong Sik Kei, all of whom are 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 as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. 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 as set out in the Director Nomination Policy that are 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 2019, 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.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities to the Nomination Committee for identification and selection of candidates to stand for election as Directors. The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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 2019 are as follows:

Remuneration bands	Number of Individuals
HK$ Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	4

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2019 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 (Note 1)	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 (Note 1)	4/4	4/4	N/A	N/A	1/1
Mr. Yung Kai Tai	3/4	3/4	1/1	1/1	1/1 (Note 2)

Note 1: With effect from 8 November 2019, Mr. Phung Nhuong Giang has resigned as a member of each of the Remuneration Committee and the Nomination committee, and Mr. Sum Chun Ho has been appointed as a member of each of the Remuneration Committee and the Nomination Committee.

Note 2: Mr. Yung Kai Tai has appointed Mr. Wong Sik Kei as delegate to attend the 2019 AGM.

Four regular board meetings were held during the year ended 31 December 2019.

On 15 March 2019 and 23 March 2020, 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 2019 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.

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. As the Group is relatively simple corporate and operation structure, the Board is assisted by its own internal audit function to manage the risks exposed to the Group. In the event that the Board considered a significant change in risk adversely affecting the Group's business, they will engage an independent internal control consultant to reassess existing internal control policies and to give recommendations to make any enhancement.

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 2019, 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 2019.

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 55.

AUDITOR'S REMUNERATION

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

During the year ended 31 December 2019, the total fees paid/payable in respect of audit services provided by BDO Limited was approximately HK$1,100,000 and no non-auditing services were provided by the external auditor.

COMPANY SECRETARY

Ms. Chan Suet Lam of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services, has been appointed as the company secretary of the Company with effect from 31 August 2018.

Her primary contact person at the Company is Mr. Phung Nhuong Giang, Deputy Chairman of the Company.

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 2019. 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 2019.

PRINCIPAL ACTIVITIES

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.

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 93 to 97 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 2019 are set forth in the consolidated financial statements on pages 56 to 144 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK cents 1.47).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2019, a discussion on the Group's business development and an analysis of the Group's performance using key financial performance indicators are provided in the "Management Discussion and Analysis" on pages 7 to 15. 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 2019 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 2019, approximately HK$484.6 million (2018: HK$462.1 million) of our revenue was generated from our system integration projects, representing approximately 75.0% (2018: 76.4%) 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 2020.

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 2019.

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 2019, our largest customer accounted for approximately 6.1% (2018: 8.5%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 22.8% (2018: 28.3%).

For the year ended 31 December 2019, our largest supplier accounted for approximately 16.3% (2018: 16.2%) 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 46.0% (2018: 34.0%).

For the year ended 31 December 2019, our largest subcontractor amounted to approximately 34.1% (2018: 16.0%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 67.2% (2018: 47.7%).

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 145 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 29 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 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 2019, 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$35,718,000 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 highcalibre 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 2019).
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. Lee Seung Han, Mr. Ryoo Seong Ryul and Mr. Yung Kai Tai shall retire at the forthcoming AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 20 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.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR 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 transaction, arrangement or 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 2019.

MANAGEMENT CONTRACTS

During the year ended 31 December 2019, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Disclosure of Interests" below and "Share Option Scheme" in note 30 to the consolidated financial statements, at no time during the year ended 31 December 2019 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 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 (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 2019 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 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 31 December 2019, 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 (Notes 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 2019 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2019, 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 TRANSACTION

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 2019.

During the year ended 31 December 2019, the Group has a related party transaction as set out in note 36 to the consolidated financial statements. The related party transaction disclosed in note 36 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 2019. 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 2019.

DONATIONS

Charitable or other donations made by the Group during the year ended 31 December 2019 amounted to approximately HK$2,700.

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 2019 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 Tuesday, 5 May 2020 to Friday, 8 May 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2020.

USE OF PROCEEDS

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 2019 ("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 2020 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 (Black Diamond) 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.

Below table summarises the use of net proceeds from the placing:

Use of proceeds	Planned use of net proceeds from 5 September 2017 up to 31 December 2019 (HK$ million)	Actual use of net proceeds up to 31 December 2019 (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

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 2020.

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 2019.

The Company has not changed its external auditor during the year ended 31 December 2019 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.

EVENT AFTER THE REPORTING DATE

Event after the reporting date is disclosed in note 43 to the consolidated financial statements.

On Behalf of the Board

Suh Seung Hyun
Chairman

23 March 2020

INDEPENDENT AUDITOR'S REPORT

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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 56 to 144, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 OPTION

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.

BDO Limited
香港立信德豪會計師事務所有限公司

Revenue recognition from contracts for system integration and cyber security services

(refer to notes 4(k), 5, 6 and 7 to the consolidated financial statements)

For the year ended 31 December 2019, the Group recognised revenue of approximately HK$509,515,000 related to the Group's revenue from contracts for system integration and cyber security services.

Revenue from contracts for system integration and cyber security services 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 cost to complete the contracts

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

Our response

Our procedures in relation to the revenue from contracts for system integration and cyber security services 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 4(i), 5, 21 and 39(a) to the consolidated financial statements)

As at 31 December 2019, gross trade receivables and its related impairment allowances amounted to HK$106,064,000 and HK$20,234,000 respectively. We have identified this as a key audit matter because 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 performing an impairment assessment on trade receivables, management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables, 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

– Checked subsequent settlement of the year end trade receivables balances on a sample basis.

Impairment assessment on goodwill

(refer to notes 4(c), 5 and 18 to the consolidated financial statements)

As at 31 December 2019, the Group had goodwill of HK$7,534,000 which is solely attributable to the cash-generating unit ("CGU") of cyber security services and subject to annual impairment testing.

Management has concluded that there was no impairment loss to be recognised in the current year. As set out in note 18, this conclusion was based on the impairment assessment performed by the management for the CGU in accordance with the Group's accounting policies which are set out in detail in note 4(c). The calculation of recoverable amount, which is the higher of value in use ("VIU") and fair value less costs of disposal, involved significant judgement and assumptions with respect to the determination of the pre-tax discount rates and the estimation of the underlying future cash flows.

We have identified the impairment assessment on goodwill of the relevant CGU as a key audit matter because of its significance to the consolidated financial statements and because the impairment assessment involved significant management judgement and estimates as explained above.

Our response

Out engagement team included our internal valuation expert and our procedures in relation to the impairment assessment on goodwill included:

– Evaluated the model used by management in the VIU calculations for impairment assessment;

– Assessed the reasonableness of discount rates and growth rates applied to the impairment assessment;

– Challenged the reasonableness of other key assumptions based on our knowledge of the business and industry;

– Checked input data to supporting evidence, such as approved budget and considering the reasonableness of the budget;

– Checked the VIU calculations; and

– Considered the overall adequacy of the disclosure in respect of impairment assessment included in the consolidated financial statements.

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.

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

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

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

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

From the matters communicated with the directors, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit 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, 23 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	646,470	605,161
Cost of sales and services		(559,441)	(508,743)
Gross profit		87,029	96,418
Other income	8	4,974	2,154
Selling and administrative expenses		(86,297)	(87,206)
Finance costs	9	(1,445)	(1,017)
Profit before income tax	10	4,261	10,349
Income tax expense	12	(220)	(4,591)
Profit for the year		4,041	5,758
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		(1,631)	(1,245)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(3,421)	(5,350)
Total other comprehensive income		(5,052)	(6,595)
Total comprehensive income for the year		(1,011)	(837)
Profit/(loss) attributable to:			
Owners of the Company		4,373	5,758
Non-controlling interests		(332)	–
		4,041	5,758
Total comprehensive income attributable to:			
Owner of the Company		(679)	(837)
Non-controlling interests		(332)	–
		(1,011)	(837)
Earnings per share attributable to owners of the Company – Basic and Diluted (HK cents)	14	1.09	1.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	6,715	6,858
Intangible assets	17	13,854	12,319
Goodwill	18	7,534	–
Other financial assets	19	5,000	4,810
Guarantee deposits		4,671	4,531
Deferred tax assets	26	7,160	6,053
		44,934	34,571
Current assets			
Inventories	20	9,729	6,337
Trade and other receivables	21	89,794	131,133
Amount due from ultimate holding company	22	–	5,874
Contract assets	23	21,623	21,595
Prepayments		10,748	6,438
Pledged bank deposit	19	3,372	3,486
Fixed bank deposits		4,316	4,461
Cash and cash equivalents		116,075	136,134
		255,657	315,458
Current liabilities			
Trade and other payables	24	115,966	180,721
Contract liabilities	23	30,443	5,563
Lease liabilities	28	993	–
Bank borrowings	25	20,582	23,224
Tax payable		239	3,893
Deferred tax liabilities	26	378	–
		168,601	213,401
Net current assets		87,056	102,057
Total assets less current liabilities		131,990	136,628
Non-current liabilities			
Lease liabilities	28	661	–
Defined benefit obligations	27	1,181	942
		1,842	942
Net assets		130,148	135,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Share capital	29	4,000	4,000
Reserves		125,127	131,686
Equity attributable to owners of the Company		129,127	135,686
Non-controlling interests	34	1,021	–
Total equity		130,148	135,686

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 2019

	Share capital	Share premium*	Capital reserve*	Research and development reserve*	Foreign exchange reserve*	Legal reserve*	Retained earnings*	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	(Note 29)	(Note 32(a))	(Note 32(b))	(Note 32(c))	(Note 32(d))	(Note 32(e))				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 year	–	–	–	–	–	–	5,758	5,758	–	5,758
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	(1,245)	(1,245)	–	(1,245)
Exchange differences arising on translation of foreign operations	–	–	–	–	(5,350)	–	–	(5,350)	–	(5,350)
Total comprehensive income	–	–	–	–	(5,350)	–	4,513	(837)	–	(837)
Balance at 31 December 2018	4,000	41,598	13,855	3,674	(2,371)	1,995	72,935	135,686	–	135,686
Balance at 1 January 2019	4,000	41,598	13,855	3,674	(2,371)	1,995	72,935	135,686	–	135,686
Profit for the year	–	–	–	–	–	–	4,373	4,373	(332)	4,041
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	(1,631)	(1,631)	–	(1,631)
Exchange differences arising on translation of foreign operations	–	–	–	–	(3,421)	–	–	(3,421)	–	(3,421)
Total comprehensive income	–	–	–	–	(3,421)	–	2,742	(679)	(332)	(1,011)
Dividends paid in respect of the previous year (note 13)	–	(5,880)	–	–	–	–	–	(5,880)	–	(5,880)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	1,353	1,353
Balance at 31 December 2019	4,000	35,718	13,855	3,674	(5,792)	1,995	75,677	129,127	1,021	130,148

* 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 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax expense		4,261	10,349
Adjustments for:			
Amortisation of intangible assets		4,180	2,959
Depreciation of property, plant and equipment		5,761	3,971
Exchange gain		(586)	(603)
Finance costs		1,445	1,017
Net(reversal)/provision for impairment of inventories		(262)	2,816
Interest income		(604)	(425)
Reversal of contingent consideration		(32)	–
Net loss on disposal of other financial assets		–	6
Net gain on disposal of property, plant and equipment		(60)	(7)
Fair value gain on other financial assets		(118)	(46)
Net provision for impairment of trade receivables		7,637	1,489
Operating profit before working capital changes		21,622	21,526
Decrease in guarantee deposits		–	325
Increase in inventories		(3,365)	(1,996)
Decrease/(increase) in trade and other receivables		27,721	(29,355)
Decrease/(increase) in contract assets		1,232	(12,816)
Increase in prepayments		(4,285)	(2,535)
(Decrease)/increase in trade and other payables		(58,408)	30,789
Increase in contract liabilities		19,186	3,430
Decrease in net defined benefit obligations		(1,822)	(812)
Cash generated from operations		1,881	8,556
Income taxes paid		(6,034)	(2,894)
Income taxes refunded		108	833
Interest received		612	417
Net cash (used in)/generated from operating activities		(3,433)	6,912

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Net cash outflows from acquisition through business combinations	35	(2,843)	–
Research and development expenditures		(2,854)	(3,580)
Purchases of property, plant and equipment		(1,519)	(3,073)
Purchases of other financial assets		(228)	(315)
Proceeds from disposal of property, plant and equipment		98	18
Decrease in fixed bank deposits		–	570
Decrease/(increase) in amount due from ultimate holding company		5,874	(5,874)
Net cash used in investing activities		(1,472)	(12,254)
Cash flows from financing activities			
Proceeds from bank borrowings		145,304	108,377
Repayments of bank borrowings		(146,834)	(100,503)
Interest paid		(1,445)	(1,010)
Repayment of principal portion of the lease liabilities		(1,941)	–
Dividends paid		(5,880)	–
Net cash (used in)/generated from financing activities		(10,796)	6,864
Net (decrease)/increase in cash and cash equivalents		(15,701)	1,522
Cash and cash equivalents at beginning of year		136,134	141,062
Effect of exchange rate changes		(4,358)	(6,450)
Cash and cash equivalents at end of year		116,075	136,134
Analysis of balances of cash and cash equivalents			
Cash and bank balances		116,075	136,134

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 in Hong Kong 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 Unit 801-809, 822, Mullae SK V1 Center, 10, Seonyu-ro 9-gil, Yeongdeungpo-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.

As at 31 December 2019, 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 2019

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12 Income Taxes

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect, if any, of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on the consolidated statement of financial position as at 31 December 2018 to that as at 1 January 2019 (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	2,341
Lease liabilities (non-current)	259
Lease liabilities (current)	1,533

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as at 31 December 2018	4,108
Less: Non-lease components	(1,197)
Less: Short term leases for which lease terms end within 31 December 2019	(1,070)
Less: Leases of low-value assets	(22)
Less: Future interest expenses	(27)
Total lease liabilities as at 1 January 2019	1,792

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 2.4%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases (Continued)

(ii) The new definition of a lease (Continued)

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of leases.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liabilities

The lease liabilities should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liabilities (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect, if any, of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as at that date.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

HKFRS 16 – Leases (Continued)

(iv) Transition **(Continued)**

The Group has also applied practical expedient for the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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.

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

(a) Adoption of new/revised HKFRSs – effective from 1 January 2019 (Continued)

Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to References to Conceptual Framework in HKFRS Standards[1]	

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

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) 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(i).

(c) Functional and presentation currency

The functional currencies of the Company's principal operating subsidiaries in Korea and Hong Kong, 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

(a) 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)

(a) Basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) 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, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment assessment, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount and whenever there is an indication that the unit may be impaired. The recoverable amount is the greater of the value in use and fair value less costs of disposal. 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)

(c) Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) 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)

(d) Property, plant and equipment (Continued)

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying assets. If a lease transfer ownership of the underlying assets or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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.

(e) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (accounting policies applied from 1 January 2019) (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(f) Leasing (accounting policies applied until 31 December 2018)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing (accounting policies applied until 31 December 2018) (Continued)

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

(g) Intangible assets (other than goodwill)

(i) 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
Reacquired right of software	2 years

(ii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (other than goodwill) (Continued)

(ii) Internally generated intangible assets (research and development costs) (Continued)

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

(iii) 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(h)).

If the recoverable amount 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, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(h) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following 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:

- property, plant and equipment (including right-of-use assets);
- intangible assets; and
- investments in subsidiaries

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of other than financial assets (Continued)

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.

(i) Financial instruments

(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.

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:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments **(Continued)**

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 other 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.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (i) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (ii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

The Group assumes that the credit risk on 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: (i) 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 (ii) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(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 and 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Revenue recognition

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 service may be transferred over time or at a point in time. Control of the goods or service is transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) 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

(iii) 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 service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (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 and cyber security services

The Group provides system integration and cyber security services based on contracts entered with customers before the commencement of the system integration or cyber security projects. These 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 (ii) for recognising revenue over time during the project implementation. Accordingly, the revenue generated from the 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

Provision of system integration and cyber security services (Continued)

For warranty included in the contracts for system integration and cyber security services, 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 work performed by the Group 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

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.

(l) 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)

(m) 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.

(n) 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.

Defined contribution retirement plans

The employees of Global Telecom Company Limited ("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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (Continued)

Defined contribution retirement plans (Continued)

Future Data Limited ("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.

(o) 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 and cyber security services

Revenue from contracts for system integration and cyber security services are 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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Estimated useful lives of intangible assets (excluding goodwill)

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)

Estimated useful lives of property, plant and equipment (including right-of-use assets)

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.

Estimated impairment loss of trade and other receivables

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.

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

Estimated incremental borrowing rate in the lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and condition of the lease. The Group estimates the IBR using observable inputs (such as market interest rate) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value measurement

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

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

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

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

For more detailed information in relation to the fair value measurement of the items above, please refer to note 40.

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

Defined benefit pension plan

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

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 three segments engaged in:

(i) System integration

(ii) Maintenance services

(iii) Cyber security services

6. SEGMENT INFORMATION (CONTINUED)

The executive directors assess the performance of the operating segments based on a measure of gross profit of each segment, which is consistent with that of the consolidated financial statements. The revenue reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

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

The segment results are as follows:

(a) Business segments

2019

	System integration HK$'000	Maintenance services HK$'000	Cyber security services HK$'000	Total HK$'000
Total segment revenue	484,579	136,955	35,125	656,659
Inter-segment revenue	–	–	(10,189)	(10,189)
Revenue from external customers	484,579	136,955	24,936	646,470
Gross profit/segment results	40,482	38,774	7,773	87,029
Other income				4,974
Selling and administrative expenses				(86,297)
Finance costs				(1,445)
Profit before income tax				4,261
Income tax expense				(220)
Profit for the year				4,041

2018

	System integration HK$'000	Maintenance services HK$'000	Cyber security services HK$'000	Total HK$'000
Total segment revenue and revenue from external customers	462,142	118,852	24,167	605,161
Gross profit/segment results	48,699	34,917	12,802	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

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 goodwill, other financial assets, guarantee deposits and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customers location)		Specified non-current assets	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	24,936	24,167	14,915	12,815
Korea	621,534	580,994	5,654	6,362
	646,470	605,161	20,569	19,177

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.

Information about major customers

No (2018: Nil) customers contributed 10% or more of the Group's revenue for the year ended 31 December 2019.

7. REVENUE

Revenue represents income from provision of system integration, maintenance services and cyber security services during the reporting period. An analysis of the Group's revenue by category for the year ended 31 December 2019 is as follows:

(a) Analysis of the Group's revenue by business segments and timing of recognition:

	2019	2018
	HK$'000	HK$'000
Revenue from customers and recognised over time		
– Contract revenue from provision of system integration	484,579	462,142
– Contract revenue from provision of maintenance services	136,955	118,852
– Contract revenue from provision of cyber security services	24,936	24,167
	646,470	605,161

7. REVENUE (CONTINUED)

(a) Analysis of the Group's revenue by business segments and timing of recognition: (Continued)

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

(b) Disaggregation of revenue

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

	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
Type of goods or services								
– Cloud infrastructure	386,199	125,846	–	512,045	355,459	96,761	–	452,220
– Security	98,380	5,418	24,936	128,734	106,683	22,091	24,167	152,941
– Software license	–	5,691	–	5,691	–	–	–	–
Total revenue from contracts with customers	484,579	136,955	24,936	646,470	462,142	118,852	24,167	605,161
Type of customers								
– Public sector	201,286	75,765	–	277,051	154,349	66,339	–	220,688
– Private sector	283,293	61,190	24,936	369,419	307,793	52,513	24,167	384,473
Total revenue from contracts with customers	484,579	136,955	24,936	646,470	462,142	118,852	24,167	605,161
Contract duration								
– Within 12 months	482,773	104,886	20,892	608,551	455,752	99,364	24,167	579,283
– Over 12 months but less than 24 months	1,666	11,239	2,087	14,992	4,384	4,490	–	8,874
– Over 24 months	140	20,830	1,957	22,927	2,006	14,998	–	17,004
Total revenue from contracts with customers	484,579	136,955	24,936	646,470	462,142	118,852	24,167	605,161

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:

	2019 HK$'000	2018 HK$'000
Provision of system integration	86,931	34,379
Provision of cyber security services	17,520	–
	104,451	34,379

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$104,451,000 (2018: HK$34,379,000) allocated to the contracts under system integration and cyber security services as at 31 December 2019 will be recognised as revenue on or before 30 June 2022 (2018: 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

	2019 HK$'000	2018 HK$'000
Interest income	604	425
Net gain on disposal of property, plant and equipment	60	7
Gain on foreign exchange, net	–	108
Fair value gain on other financial assets	118	46
Reversal of provision for litigation claims	3,256	–
Miscellaneous gains, net	936	1,568
Total	4,974	2,154

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on borrowings	1,374	1,017
Interest on lease liabilities	71	–
Total	1,445	1,017

10. PROFIT BEFORE INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Carrying amount of inventories sold	487,068	446,962
Net (reversal)/provision for impairment of inventories	(262)	2,816
Costs of inventories recognised as expenses	486,806	449,778
Employee costs (note 11)	94,907	86,738
Subcontracting costs	38,229	16,429
Agency commission	–	5,500
Provision for impairment of trade receivables	7,637	1,489
Amortisation of intangible assets	4,180	2,959
Depreciation of property, plant and equipment	3,347	3,971
Depreciation of right-of-use assets (note i)	2,414	–
Auditor's remuneration	1,100	1,052
Research and development costs (note ii)	2,824	2,835
Interest on lease liabilities	71	–
Net loss on disposal of other financial assets	12	6
Net loss/(gain) on foreign exchange	590	(108)
Net gain on disposal of property, plant and equipment	(60)	(7)
Fair value gain on other financial assets	(118)	(46)
Reversal of contingent consideration	(32)	–
Reversal of provision for litigation claims	(3,256)	–
Short term leases expenses	407	–
Low-value assets leases expenses	23	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	1,945

10. PROFIT BEFORE INCOME TAX (CONTINUED)

Notes:

(i) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated as detailed in note 2(a).

(ii) Research and development costs included employee costs of approximately HK$2,824,000 (2018: HK$2,835,000) as disclosed above.

11. EMPLOYEE COSTS

	2019 HK$'000	2018 HK$'000
Employee costs (including directors) comprise:		
Salaries		
– Capitalised as intangible assets (note 17)	504	679
– Charged to profit or loss	79,745	70,259
Contributions to defined contribution retirement plans	2,275	2,210
Defined benefit costs (note 27)	4,329	4,157
Other benefits	8,054	9,433
Total	94,907	86,738

12. INCOME TAX EXPENSE

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

	2019 HK$'000	2018 HK$'000
Current tax		
– Korea	1,151	6,786
Deferred tax		
– Korea (note 26)	(757)	(1,933)
– Hong Kong (note 26)	(174)	(262)
	(931)	(2,195)
Income tax expense	220	4,591

12. INCOME TAX EXPENSE (CONTINUED)

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 2019. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2019 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 2019 (2018: 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) for the year ended 31 December 2018 (2018: KRW200 million (equivalent to approximately HK$1.4 million)) and up to KRW20 billion (equivalent to approximately HK$134.7 million) for the year ended 31 December 2019 (2018: KRW20 billion (equivalent to approximately HK$142.6 million));

- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$134.7 million for the year ended 31 December 2019 (2018: KRW20 billion (equivalent to approximately HK$142.6 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 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 which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

12. INCOME TAX EXPENSE (CONTINUED)

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax	4,261	10,349
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	975	2,500
Tax effect of expenses not deductible for tax purposes	2,506	2,598
Tax credit	(2,801)	(1,192)
Withholding tax on dividend declared by a subsidiary	–	1,036
Others	(460)	(351)
Income tax expense for the year	220	4,591

13. DIVIDENDS

	2019 HK$'000	2018 HK$'000
2018 final dividend of HK cents 1.47 per ordinary share	5,880	–

The final dividend of HK$5,880,000 for the year ended 31 December 2018 was paid on 6 June 2019. The directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

14. BASIC AND DILUTED EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	4,373	5,758

	2019 Number'000	2018 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 2019 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 2019 and 2018.

15. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

Directors' remuneration

2019

	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	–	1,307	74	882	2,263
Mr. Phung Nhuong Giang	–	1,200	–	–	1,200
Mr. Lee Seung Han	–	1,439	75	882	2,396
Mr. Ryoo Seong Ryul	–	876	61	209	1,146
Total	–	4,822	210	1,973	7,005
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

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)

Note: 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.

Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group include 4 (2018: 3) directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 1 (2018: 2) individual is as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	1,255	2,089
Contribution to pension schemes	76	153
Discretionary bonuses	–	648
	1,331	2,890

The emoluments of the above individual with the highest emoluments are within the following band:

	2019	2018
HK$1,000,001 to HK$1,500,000	1	2

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 (2018: Nil).

Senior management emoluments

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

	2019	2018
Nil to HK$1,000,000	2	5
HK$1,000,001 to HK$1,500,000	4	1

16. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 January 2018	–	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 as originally presented	–	1,234	27,397	1,029	2,216	31,876
Initial application of HKFRS 16 (note 2(a))	2,341	–	–	–	–	2,341
At 1 January 2019	2,341	1,234	27,397	1,029	2,216	34,217
Additions	950	57	1,425	37	–	2,469
Acquired through business combinations (note 35)	850	102	12	54	–	1,018
Transferred from inventories	–	–	35	–	–	35
Disposals	–	–	(149)	–	(631)	(780)
Exchange realignment	5	(21)	(877)	(25)	(73)	(991)
At 31 December 2019	4,146	1,372	27,843	1,095	1,512	35,968
Accumulated depreciation:						
At 1 January 2018	–	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 and 1 January 2019	–	1,055	21,062	789	2,112	25,018
Charge for the year	2,414	217	2,931	137	62	5,761
Disposals	–	–	(149)	–	(593)	(742)
Exchange realignment	3	(16)	(680)	(22)	(69)	(784)
At 31 December 2019	2,417	1,256	23,164	904	1,512	29,253
Carrying amount:						
At 31 December 2019	1,729	116	4,679	191	–	6,715
At 31 December 2018	–	179	6,335	240	104	6,858

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2019 HK$'000
Properties, carried at depreciated cost (note)	889
Motor vehicle, carried at depreciated cost (note)	840

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:	
Properties, carried at depreciated cost (note)	2,414
Interest on lease liabilities (note 9)	71
Expense relating to short-term leases and leases of low-value assets not included in the measurement of lease liabilities	430

Note:

The Group has obtained the right to use properties as its office premises through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. The Group has also leased a motor vehicle for a lease term of 5 years.

17. INTANGIBLE ASSETS

	Reacquired right of software HK$'000	Software platforms (note) HK$'000	Total HK$'000
Cost:			
At 1 January 2018	–	12,923	12,923
Additions	–	3,580	3,580
At 31 December 2018	–	16,503	16,503
Additions	–	2,854	2,854
Acquired through business combinations (note 35)	1,950	911	2,861
At 31 December 2019	1,950	20,268	22,218
Accumulated amortisation:			
At 1 January 2018	–	1,225	1,225
Amortisation charge for the year	–	2,959	2,959
At 31 December 2018	–	4,184	4,184
Amortisation charge for the year	350	3,830	4,180
At 31 December 2019	350	8,014	8,364
Carrying Amount			
At 31 December 2019	1,600	12,254	13,854
At 31 December 2018	–	12,319	12,319

Note:

The software platforms acquired were for three distinct software platforms with cyber security, big data and internet of things features. Employee costs of HK$504,000 (2018: HK$679,000) (note 11) for enhancement of the acquired software platforms have been capitalised in the acquisition cost of the software platforms.

18. GOODWILL

	2019 HK$'000
At 1 January 2019	–
Acquired through business combinations (note 35)	7,534
At 31 December 2019	7,534

18. GOODWILL (CONTINUED)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") identified as follows:

	2019 HK$'000
Cyber security – Hong Kong	7,534

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. The discount rate, which is pre-tax and reflects specific risks relating to the CGU, applied to the cash flow projections is 15.18%. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the cyber security industry in Hong Kong.

As at 31 December 2019, the value in use of the CGU exceeded its carrying amount, and hence the goodwill allocated to this CGU was not regarded as impaired.

19. OTHER FINANCIAL ASSETS – NON-CURRENT

	2019 HK$'000	2018 HK$'000
Financial assets measured at FVTPL		
– Unlisted equity securities (note (a))	2,839	2,878
– Investment in insurance policy (note (b))	2,161	1,932
	5,000	4,810

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

	2019 HK$'000	2018 HK$'000
Korea Software Financial Cooperative	2,799	2,840
Korea Broadcasting & Communication Financial Cooperative	40	38
	2,839	2,878

19. OTHER FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

(a) (Continued)

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:

	2019 HK$'000	2018 HK$'000
Description of guarantee		
– Bidding guarantees	6,987	5,050
– Contract guarantees	105,989	78,692
– Defect guarantees	37,500	28,664
– Prepayment guarantees	77,050	36,718
	227,526	149,124

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 at each reporting date is not required.

19. OTHER FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

(a) (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 2019 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 2019. 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 2019, a fixed bank deposit of KRW500 million (equivalent to approximately HK$3.4 million (2018: KRW500 million (equivalent to approximately HK$3.5 million)) has been pledged with KSFC in return for the guarantees provided by KSFC above.

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

	2019 HK$'000	2018 HK$'000
Account value as at 31 December	2,161	1,932

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.

19. OTHER FINANCIAL ASSETS – NON-CURRENT (CONTINUED)

(b) (Continued)

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policies are detailed in note 40.

20. INVENTORIES

	2019 HK$'000	2018 HK$'000
Inventories		
– Hardware and software	9,729	6,337

A reversal of write-down of inventories made in prior years of HK$262,000 arose due to an increase in the net realisable value of hardware as a result of sales of impaired inventories during the year.

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	106,064	141,453
Less: Provision for impairment	(20,234)	(12,852)
Trade receivables, net (note (a))	85,830	128,601
Short-term loans to employees (note (b))	236	488
Accrued interest	39	41
Rental and other deposits	2,330	2,003
Other receivables	1,359	–
Total trade and other receivables (note (c))	89,794	131,133

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

	2019 HK$'000	2018 HK$'000
0 – 90 days	81,594	111,725
91 – 180 days	930	4,577
181 – 365 days	2,577	2,818
1 – 2 years	643	8,679
Over 2 years	86	802
	85,830	128,601

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The loans to employees of Global Telecom are fully secured by the employees' entitlement to retirement benefit, carry market interest rate at 6.9% (2018: 6.9%) per annum as at 31 December 2019 and repayable within one year from the respective dates of drawdown of loans.

(c) The Group recognised impairment of trade and other receivables for the years ended 31 December 2019 and 31 December 2018 based on the accounting policy stated in note 4(i). Further details are set out in note 39(a).

22. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

	As at 1 January 2019	As at 31 December 2019	Maximum outstanding amount during the year
	HK$'000	HK$'000	HK$'000
AMS	5,874	–	5,999

The amount due from AMS which originated on 31 December 2018 was unsecured, interest bearing and repayable on demand. Such balance which was fully repaid in 2019 also constituted a disclosable and connected transaction under the GEM Listing Rules.

23. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019	2018
	HK$'000	HK$'000
Contract assets	21,623	21,595
Contract liabilities	(30,443)	(5,563)

(a) Contract assets

	2019	2018
	HK$'000	HK$'000
Contract assets		
Arising from performance under system integration	19,232	21,595
Arising from performance under cyber security services	2,391	–
	21,623	21,595

23. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (Continued)

Invoices on revenue from system integration and cyber security services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability 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.

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.

The Group recognised impairment of contract assets for the year ended 31 December 2019 based on the accounting policy stated in note 4(i). Further details are set out in note 39(a).

(b) Contract liabilities

	2019 HK$'000	2018 HK$'000
Contract liabilities		
Billings in advance of performance under system integration	22,108	5,563
Billings in advance of performance under cyber security services	8,335	–
	30,443	5,563

23. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (Continued)

Set out below is the movement of contract liabilities during the respective years.

	2019 HK$'000	2018 HK$'000
Movements in contract liabilities		
Balance at the beginning of the year	5,563	2,321
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(5,563)	(2,077)
Acquired through business combination (note 35)	5,848	–
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the acquisition date	(5,848)	–
Increase as a result of billing in advance of revenue recognition of contracts for system integration and cyber security services	30,443	5,319
Balance at the end of the year	30,443	5,563

24. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	92,123	160,473
Accruals and other payables	16,334	16,398
Advance receipts	7,455	110
Value-added tax payables	54	3,740
	115,966	180,721

24. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	78,296	138,800
31 – 60 days	5,643	15,663
61 – 90 days	3,238	696
91 – 180 days	4,167	4,121
181 – 365 days	83	611
Over 1 year	696	582
	92,123	160,473

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

	2019 HK$'000	2018 HK$'000
Unsecured:		
– Bank loans (note (a))	20,582	21,307
– Bills payable (note (b))	–	1,917
Total borrowings due for repayment within one year	20,582	23,224

25. BANK BORROWINGS (CONTINUED)

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2019			
Bank B	US$301,675	3-month LIBOR plus 1.80% per annum	July 2020
Bank C	US$608,250	3-month LIBOR plus 1.58% per annum	April 2020
Bank D	US$1,016,007	KORIBOR base rate plus 1.30% per annum	September 2020
Bank E	US$709,984	3-month LIBOR plus 1.70% per annum	September 2020
2018			
Bank A	US$85,536	3-month LIBOR plus 2.30% per annum	May 2019
Bank B	US$254,344	3-month LIBOR plus 2.00% 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 1.30% per annum	September 2019

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

(c) As at 31 December 2019, 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$320,000 and KRW400 million (2018: US$400,000 and KRW440 million) for import financing facilities and bank loans provided to Global Telecom.

26. 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	(Accelerated)/ decelerated tax depreciation	Provision for impairment of trade receivables	Provision for incentive bonus	Provision for impairment of inventories	Tax losses carried forward (note)	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	(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
Changed 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	1,232	6,053
At 1 January 2019	(2,033)	53	2,627	920	1,184	2,070	1,232	6,053
Acquired from business combination (note 35)	(472)	–	–	–	–	–	–	(472)
Credited/(charged) to profit or loss for the year (note 12)	219	(79)	1,738	337	(58)	7	(1,233)	931
Charged to equity for the year	–	–	–	–	–	–	461	461
Exchange realignment	–	(2)	(81)	(41)	(38)	–	(29)	(191)
At 31 December 2019	(2,286)	(28)	4,284	1,216	1,088	2,077	431	6,782

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

	2019	2018
	HK$'000	HK$'000
Deferred tax asset	7,160	6,053
Deferred tax liabilities	(378)	–

(a) As at 31 December 2019, deferred tax liability of HK$24,700,000 (2018: HK$22,293,000) 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.

26. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

b) As at 31 December 2019, the Group had tax losses arising in Hong Kong of HK$12,589,000 (2018: HK$12,543,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets of approximately HK$2,077,000 (2018: HK$2,070,000) 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.

27. DEFINED BENEFIT OBLIGATIONS

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

Global Telecom must carry out a funding valuation using a prescribed method each year and if the fair value of the plan assets is below 95% of the present value of defined benefit obligation which is the standard required reserve under ERBSA as at 31 December 2019 and 2018, 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 2019 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 2019 indicate that the Group's obligations under the Plan are 96% (2018: 97%) covered by the Plan assets held by the trustee as at the respective reporting date.

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Present value of defined benefit obligations	31,044	28,471
Fair value of plan assets	(29,863)	(27,529)
Defined benefit obligations liability as at 31 December	1,181	942

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$10,003,000 in contributions to the Plan in 2020.

The Group's contributions for the year ended 31 December 2019 amounted to approximately HK$6,151,000 (2018: HK$4,969,000).

The principal financial assumptions used in the actuarial valuation as at 31 December 2019 for the purpose of the accounting disclosures were as follows:

	2019	2018
Discount rate	2.00%	2.25%
Rate of salary increase	5.00%	5.00%

For purpose of determining the defined benefit obligations, the following participant data has been applied as at 31 December 2019:

	2019	2018
Number of staff	164	138
Total annual plan salary	HK$54,418,000	HK$49,830,000
Average annual plan salary	HK$332,000	HK$361,000
Average age (count weighted)	39.68 years	39.40 years
Average credited services (count weighted)	4.12 years	4.56 years
Expected future working lifetime	4.35 years	5.25 years

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Current service costs	4,308	4,152
Administration costs	162	155
Interest on assets	(711)	(798)
Interest costs	570	648
Total amount recognised in profit or loss (note 11)	4,329	4,157
Actuarial losses (net of tax) recognised in other comprehensive income	1,631	1,245
Total defined benefit costs	5,960	5,402

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:

	2019 HK$'000	2018 HK$'000
Cost of sales	1,942	1,840
Selling and administrative expenses	2,387	2,317
	4,329	4,157

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

	2019 HK$'000	2018 HK$'000
Balance as at 1 January	28,471	26,304
Pension costs charged to profit or loss:		
Service costs	4,308	4,152
Net interest	570	648
Sub-total	4,878	4,800
Benefits paid	(3,315)	(2,611)
Actuarial changes arising from changes in demographic assumptions	473	–
Actuarial changes arising from changes in financial assumptions	394	698
Actuarial changes arising from experience adjustments	1,066	632
Exchange realignment	(923)	(1,352)
Balance as at 31 December	31,044	28,471

The weighted average duration of the defined benefit obligations is 5.19 years (2018: 5.01 years).

27. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Balance as at 1 January	27,529	26,120
Pension costs charged to profit or loss:		
Administrative costs	(162)	(155)
Net interest	711	798
Sub-total	549	643
Benefits paid	(3,315)	(2,611)
Actuarial changes arising from changes in financial assumptions	(159)	(266)
Contribution from employer	6,151	4,969
Exchange realignment	(892)	(1,326)
Balance as at 31 December	29,863	27,529

The assets of the Plan are as follows:

	2019 HK$'000	2018 HK$'000
Term deposit	29,863	27,529

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2019 are set out as follows:

	Percentage change HK$'000	2019 HK$'000	2018 HK$'000
Discount rate	+1%	(1,560)	(1,411)
	–1%	1,597	1,443
Rate of salary increase	+1%	1,696	1,543
	–1%	(1,664)	(1,516)

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

28. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 2(a).

Nature of leasing activities

The Group leases a number of properties and a motor vehicle in Korea and Hong Kong.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Properties leased for own use, carried at depreciated cost	889	2,341
Motor vehicle, carried at depreciated cost	840	–

(b) Lease liabilities

31 December 2019	Properties leased for own use HK$'000	Motor vehicle HK$'000
Additions	–	909
Acquired through business combination, (note 35)	893	–
Lease payments	(1,842)	(99)
Interest expense	(56)	(15)
Foreign exchange movements	–	1

28. LEASES (CONTINUED)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 HK$'000	Interest 31 December 2019 HK$'000	Present value 31 December 2019 HK$'000
Not later than one year	1,037	44	993
Later than one year and not later than two years	220	16	204
Later than two years and not later than five years	474	17	457
	1,731	77	1,654

	Minimum lease payments 1 January 2019 (note) HK$'000	Interest 1 January 2019 (note) HK$'000	Present value 1 January 2019 (note) HK$'000
Not later than one year	1,559	26	1,533
Later than one year and not later than two years	260	1	259
	1,819	27	1,792

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	2019 HK$'000	2018 HK$'000
Current liabilities	993	–
Non-current liabilities	661	–
	1,654	–

28. LEASES (CONTINUED)

(b) Lease liabilities (Continued)

Operating leases – lessee

The Group leases a number of premises under operating leases. The leases run for an initial period of 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.

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

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

29. SHARE CAPITAL

	Number '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2018 and 2019	5,000,000	50,000

	Number '000	Amount HK$'000
Ordinary shares, issued and fully paid:		
At 31 December 2018 and 2019	400,000	4,000

30. 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.

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Interests in subsidiaries		57,639	57,639
Current assets			
Deposit and prepayments		223	241
Amounts due from subsidiaries		12,242	21,631
Cash and cash equivalent		54	3,147
		12,519	25,029
Current liabilities			
Accruals		1,523	1,291
Net current assets		10,996	23,738
Net assets		68,635	81,377
Capital and reserves			
Share capital	29	4,000	4,000
Reserves	32	64,635	77,377
Total equity		68,635	81,377

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

32. 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) 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.

(d) 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$.

(e) 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.

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

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	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
Dividends paid in respect of previous year	(5,880)	–	–	(5,880)
Loss for the year	–	–	(6,862)	(6,862)
At 31 December 2019	35,718	57,639	(28,722)	64,635

32. RESERVES (CONTINUED)

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.

33. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	% of ownership interest 2019	% of ownership interest 2018	Principal activities
SuperChips	British Virgin Islands ("B.V.I.")	US$1	Directly 100%	Directly 100%	Investment holding
Maximus Group Consulting Limited ("Maximus Group")	B.V.I.	74,000 shares of US$1 each	Indirectly 64.86%	–	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 cyber security services
Maximus Consulting (Hong Kong) Limited ("Maximus HK")	Hong Kong	HK$10,000	Indirectly 64.86%	–	Provision of cyber security services
MXC Security (Singapore) Pte Ltd	Singapore	Singapore dollar 1	Indirectly 64.86%	–	Provision of cyber security services

34. NON-CONTROLLING INTERESTS

Maximus Group, a 64.86% owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of Maximus Group, before intra-group eliminations, is presented below:

	2019 HK$'000
For the period ended 31 December	
Revenue	16,627
Loss before tax	(1,040)
Loss for the period	(946)
Total comprehensive income	(946)
Loss allocated to NCI	(332)
For the period ended 31 December	
Cash from operating activities	3,394
Cash used in investing activities	(89)
Cash used in financing activities	(339)
Net cash inflows	2,966
As at 31 December	
Current assets	11,312
Non-current assets	2,988
Current liabilities	(11,395)
Net assets	2,905
Accumulated non-controlling interests	1,021

35. BUSINESS ACQUISITION DURING THE YEAR

On 2 April 2019, Future Data entered into a share purchase and subscription agreement with Mr. Chung Pui Nam Roger. Pursuant to the agreement, Mr. Chung Pui Nam Roger agreed to sell, and Future Data agreed to purchase approximately 64.86% of the entire issued share capital of Maximus Group at a consideration of HK$10,000,000 and a contingent consideration of up to HK$2,000,000. The acquisition was completed on 3 June 2019 ("Acquisition date") Further details regarding the consideration of HK$10,000,000 and the contingent consideration of up to HK$2,000,000 and the reasons and benefits of this acquisition are set out in the Company's announcement dated 2 April 2019.

35. BUSINESS ACQUISITION DURING THE YEAR (CONTINUED)

The identifiable assets and liabilities of Maximus Group and its subsidiaries (collectively referred to as "Target Group") as at the Acquisition date were as follows:

	Carrying values and fair values HK$'000
Property, plant and equipment	1,018
Intangible assets (including reacquired rights of software of HK$1,950,000 under note 17)	2,861
Trade and other receivables	4,478
Bank balances and cash	1,157
Contract assets	1,965
Amount due from Future Data	6,000
Trade and other payables	(6,415)
Contract liabilities	(5,848)
Lease liabilities	(893)
Deferred tax liabilities	(472)
	3,851
Less: Non-controlling interests ("NCI")	(1,353)
Net identifiable assets	2,498

	HK$'000
Cash consideration settled	4,000
Cash consideration to be settled	2,000
Consideration to be settled by way of set off against current account with Maximus Group	4,000
Fair value of contingent consideration	32
Less: Fair values of net identifiable assets	(2,498)
Goodwill (note 18)	7,534

At the Acquisition date, the fair value of the contingent consideration arrangement of HK$32,000 was estimated by applying the income approach at a discount rate of 1.75% and an estimated loss in Target Group for the year ended 31 December 2019 of HK$516,000. As at 31 December 2019, the fair value of contingent consideration was determined to be zero based on the audited results of Target Group and the decrease of HK$32,000 was recognised in current year's profit or loss.

35. BUSINESS ACQUISITION DURING THE YEAR (CONTINUED)

The fair value of trade and other receivables amounted to HK$4,478,000. The gross amount of these receivables is HK$4,616,000 of which trade receivables of HK$138,000 are expected to be uncollectable.

The goodwill of HK$7,534,000 which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the Acquisition date, Target Group has contributed HK$16,125,000 and a loss before tax of HK$1,040,000 to the Group's revenue and results respectively. If the acquisition had occurred on 1 January 2019, Group's revenue and profit before tax would have been HK$647,848,000 and HK$3,470,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

An analysis of the cash flows in respect of the acquisition of Target Group is as follows:

	HK$'000
Cash consideration	(4,000)
Bank balances and cash acquired	1,157
Net outflows of cash and cash equivalents included in cash flows from investing activities	(2,843)

36. RELATED PARTY TRANSACTIONS

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

Related party identity and relationship	Type of transaction	2019 HK$'000	2018 HK$'000
AMS	Interest income	125	–

(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.

37. NOTES SUPPORTING CASH FLOW STATEMENT

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$'000	Lease liabilities HK$'000
At 1 January 2018	**16,520**	–
Changes from financing cash flows:		
Proceeds from bank borrowings	108,377	–
Repayment 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	–
Initial application of HKFRS 16 (note 2(a))	–	1,792
At 1 January 2019	23,224	1,792
Changes from financing cash flows:		
Proceeds from bank borrowings	145,304	–
Repayment of bank borrowings	(146,834)	–
Interest paid	(1,374)	(71)
Repayment of principal portion of the lease liabilities	–	(1,941)
Total changes from financing cash flows	(2,904)	(2,012)
Other changes		
Net cash inflows from acquisition through business combinations	–	893
Additions to lease liabilities	–	909
Finance costs	1,374	71
Exchange difference	(1,112)	1
Total other changes	262	1,874
At 31 December 2019	20,582	1,654

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2019 HK$'000	2018 HK$'000
Financial assets		
Non-current		
Financial assets at FVTPL		
– Unlisted equity securities	2,839	2,878
– Insurance policy	2,161	1,932
	5,000	4,810
Current		
Financial assets at amortised cost		
– Trade and other receivables	89,794	131,133
– Contract assets	21,623	21,595
– Amount due from ultimate holding company	–	5,874
– Pledged bank deposit	3,372	3,486
– Fixed bank deposits	4,316	4,461
– Cash and cash equivalents	116,075	136,134
	235,180	302,683
Financial liabilities		
– Trade and other payables	108,457	176,871
– Lease liabilities	1,654	–
– Bank borrowings	20,582	23,224
	130,693	200,095

Note:

Financial instruments not measured at fair value

Above financial instruments which are measured at amortised cost are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

39. 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 in 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.

Trade receivables and contract assets

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

As at each reporting period, the provision made respectively against the gross amount of trade receivables is as follows:

2019	Expected credit loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Current (not past due)	0.51%	81,041	417
0 – 90 days past due	2.19%	1,504	33
91 – 180 days past due	9.75%	2,666	260
181 – 365 days past due	51.35%	1,443	741
1 – 2 years past due	68.02%	1,695	1,154
Over 2 years past due	99.51%	17,715	17,629
		106,064	20,234

2018	Expected credit loss 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

Expected loss rates 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

	Trade receivables HK$'000
As at 1 January 2018	11,909
Net impairment losses recognised during the year	1,489
Exchange realignment	(546)
As at 31 December 2018 and 1 January 2019	12,852
Acquisition through business combinations (note 35)	138
Net impairment losses recognised during the year	7,637
Exchange realignment	(393)
As at 31 December 2019	20,234

As at 31 December 2019, no provision was made against the gross amount of contract assets because 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

Other receivables

ECLs 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 is measured on a 12-month basis.

– If a significant increase in credit risk (as define 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 is measured on lifetime basis.

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Other receivables (Continued)

– 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 asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 December 2019, 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.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

(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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

2019

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivatives:				
Trade and other payables	108,457	108,457	108,457	–
Bank borrowings	20,582	20,749	20,749	–
Lease liabilities	1,654	1,731	1,037	694
	130,693	130,937	130,243	694

2018

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	HK$'000	HK$'000	HK$'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	–

(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 are disclosed in note 25. The Group currently does not have an interest rate hedging policy.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

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:

	2019 HK$'000	2018 HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points		
+0.5%	(669)	(732)
–0.5%	669	732

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

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

(d) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk principally arise from Global Telecom's overseas purchases 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

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:

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	10,240	18,201
Trade payables	(15,768)	(21,429)
Bank borrowings	(20,582)	(23,224)
Gross exposure from recognised financial assets and liabilities	(26,110)	(26,452)

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.

	2019 HK$'000	2018 HK$'000
Changes in exchange rate:		
KRW depreciates by 5% against US$	(1,018)	(1,032)
KRW appreciates by 5% against US$	1,018	1,032

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure (Continued)

The sensitivity analysis for the year ended 31 December 2019 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.

40. 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).

40. FAIR VALUE MEASUREMENTS (CONTINUED)

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

2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	2,839	–	2,839
– Insurance policies	–	2,161	–	2,161
	–	5,000	–	5,000

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 policies	–	1,932	–	1,932
	–	4,810	–	4,810

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

At 31 December 2019, the Group's unlisted equity security and insurance policies are grouped under Level 2 (2018: Level 2) category.

There were no transfers between levels during the year.

41. CAPITAL MANAGEMENT

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

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

The capital structure of the Group consists of debts, which includes bank borrowings and lease liabilities disclosed in notes 25 and 28 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 lease liabilities) to total equity of the Group as at 31 December 2019 are as follows:

	2019 HK$'000	2018 HK$'000
Lease liabilities	1,654	–
Bank borrowings	20,582	23,224
Total equity	130,148	135,686
Gearing ratio	17%	17%

42. COMPARATIVE FIGURES

The segmental revenue and disaggregation of revenue disclosed under note 6(a) and note 7 respectively have been reclassified to conform to the current year's presentation.

43. EVENT AFTER REPORTING DATE

The current coronavirus pandemic has not had a material adverse impact on the Group's operations and financial position to date. Nevertheless, the Group will monitor closely and take appropriate action to mitigate the impact.

44. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended 31 December 2019 were approved and authorised for issue by the board of directors on 23 March 2020.

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 2019, 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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**646,470**	605,161	506,490	524,021	515,704
Net profit for the year	**4,041**	5,758	5,271	3,708	8,131
Assets and liabilities					
Total assets	**300,591**	350,029	316,004	235,402	222,149
Total liabilities	**170,443**	214,343	177,798	109,994	157,796
Total equity	**130,148**	135,686	138,206	125,408	64,353