



FUTURE DATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8229)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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

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This announcement 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017

The Group's revenue for the year ended 31 December 2017 was approximately HK\$506.5 million representing a decrease of approximately 3.3% as compared to that of approximately HK\$524.0 million in 2016.

Profit for the year of the Company for the year ended 31 December 2017 was approximately HK\$5.3 million representing an increase of approximately 42.2% as compared to that of approximately HK\$3.7 million in 2016.

Earnings per share (Basic and Diluted) for the year ended 31 December 2017 was HK cents 1.32 (Earnings per share (Basic and Diluted) for 2016: HK cents 1.06).

Cash per share as at 31 December 2017 was HK cents 35.27 (Cash per share for 2016: HK cents 22.39).

Equity per share as at 31 December 2017 was HK cents 34.55 (Equity per share for 2016: HK cents 36.01).

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

ANNUAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to present the audited results of the Group for the year ended 31 December 2017, together with comparative audited figures for the corresponding year in 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
Revenue	4	506,490	524,021
Cost of sales		<u>(435,259)</u>	<u>(440,914)</u>
Gross profit		71,231	83,107
Other income		4,829	681
Listing expenses		–	(10,403)
Selling and administrative expenses		(67,974)	(66,090)
Finance costs		<u>(528)</u>	<u>(339)</u>
Profit before income tax	5	7,558	6,956
Income tax expense	6	<u>(2,287)</u>	<u>(3,248)</u>
Profit for the year		5,271	3,708
Other comprehensive income for the year			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Recognition of actuarial losses on defined benefit obligations		(687)	(1,057)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		31	501
Exchange differences arising on translation of foreign operations		<u>12,783</u>	<u>(2,466)</u>
Total other comprehensive income		<u>12,127</u>	<u>(3,022)</u>
Total comprehensive income for the year		<u>17,398</u>	<u>686</u>
Earnings per share – Basic and Diluted (HK cents)	8	<u>1.32</u>	<u>1.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		7,765	9,333
Intangible assets		11,698	–
Available-for-sale financial assets	9	4,690	4,029
Guarantee deposits		5,096	4,484
Deferred tax assets		<u>3,604</u>	<u>3,521</u>
		<u>32,853</u>	<u>21,367</u>
Current assets			
Inventories	10	7,854	7,038
Trade and other receivables	11	110,883	86,255
Tax recoverable		762	–
Loan to ultimate holding company		–	1,765
Amounts due from contract customers	12	9,525	27,677
Prepayments		4,127	4,266
Pledged bank deposit		3,663	3,214
Fixed bank deposits		5,275	5,850
Cash and cash equivalents		<u>141,062</u>	<u>77,970</u>
		<u>283,151</u>	<u>214,035</u>
Current liabilities			
Trade and other payables	13	158,493	90,468
Amounts due to contract customers	12	2,321	1,140
Bank borrowings		16,520	16,266
Obligations under finance leases		–	31
Tax payable		–	1,576
Deferred tax liabilities		<u>280</u>	<u>–</u>
		<u>177,614</u>	<u>109,481</u>
Net current assets		<u>105,537</u>	<u>104,554</u>
Total assets less current liabilities		<u>138,390</u>	<u>125,921</u>

	2017 <i>HK\$'000</i> (audited)	2016 <i>HK\$'000</i> (audited)
Non-current liabilities		
Defined benefit obligations	<u>184</u>	<u>513</u>
Net assets	<u>138,206</u>	<u>125,408</u>
EQUITY		
Share capital	4,000	4,000
Reserves	<u>134,206</u>	<u>121,408</u>
Total equity	<u>138,206</u>	<u>125,408</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of the Stock Exchange since 8 July 2016. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's principal place of business is located at Room 1002, 10/F, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong.

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

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

As at 31 December 2017, the Directors of the Company consider the immediate holding company to be LiquidTech Limited (“**LiquidTech**”), incorporated in the British Virgin Islands, and the ultimate holding company to be Asia Media Systems Pte. Ltd. (“**AMS**”) incorporated in Singapore.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

Amendments to HKAS 7 – Disclosure Initiative

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

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

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

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

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

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

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

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

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

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

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

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

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of the above amendments will have no material impact on the consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

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

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

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2017 amounted to approximately HK\$8,048,000. Based on current leasing patterns, the Group expects the adoption of HKFRS 16 as compared with the current accounting policy would not significantly impact the Group's financial performance but it is expected that certain portion of the operating lease commitments would be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain available-for-sale financial assets which are measured at fair value.

3.3 Functional and presentation currency

The functional currencies of the Company's principal operating subsidiaries, Global Telecom Company Limited (“**Global Telecom**”), and Future Data Limited (“**Future Data**”), are South Korean Won (“**KRW**”) and Hong Kong Dollars (“**HK\$**”) respectively, while the consolidated financial statements are presented in HK\$ which is also the functional currency of the Company. As the Company's shares are listed on the GEM of the Stock Exchange, the Directors consider that it will be more appropriate to adopt HK\$ as the Group's presentation currency. The amounts stated are rounded to the nearest HK\$1,000 unless otherwise stated.

4. REVENUE AND SEGMENT INFORMATION

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

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

(a) Business Segments

2017

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

2016

	System integration HK\$'000 (audited)	Maintenance services HK\$'000 (audited)	Total HK\$'000 (audited)
Total segment revenue	<u>428,289</u>	<u>95,732</u>	<u>524,021</u>
Gross profit/segment results	48,580	34,527	83,107
Other income			681
Listing expenses			(10,403)
Selling and administrative expenses			(66,090)
Finance costs			<u>(339)</u>
Profit before income tax			6,956
Income tax expense			<u>(3,248)</u>
Profit for the year			<u>3,708</u>

(b) Geographic information

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

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

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

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

(c) Revenue analysis

An analysis of Group's revenue is as follows:

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

(d) Information about major customers

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

	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
Customer A	58,597	80,831
Customer B	51,146	—

These revenues are derived from the segment of system integration.

5. PROFIT BEFORE INCOME TAX

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

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

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

6. INCOME TAX EXPENSE

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

	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
Current tax		
Tax for the year	1,631	3,956
Deferred tax		
Current year	<u>656</u>	<u>(708)</u>
Income tax expense	<u><u>2,287</u></u>	<u><u>3,248</u></u>

Global Telecom is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively “**Korean Corporate Income Tax**”). Korean Corporate Income Tax is charged at the progressive rate from 10% to 22% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2017.

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

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
Profit before income tax	<u>7,558</u>	<u>6,956</u>
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	1,752	2,121
Tax effect of expenses not deductible for tax purposes	1,857	2,728
Tax credit	(1,128)	(1,303)
Others	<u>(194)</u>	<u>(298)</u>
Income tax expense for the year	<u>2,287</u>	<u>3,248</u>

7. DIVIDENDS

	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
2016 final dividend of HK1.15 cents per ordinary share (2016: Nil)	<u>4,600</u>	<u>–</u>

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

8. BASIC AND DILUTED EARNINGS PER SHARE

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

	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)
Earnings		
Profit for the year	<u>5,271</u>	<u>3,708</u>
	2017 Number'000 (audited)	2016 Number'000 (audited)
Number of shares		
Weighted average number of ordinary shares	<u>400,000</u>	<u>348,220</u>

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

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

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2017 and 2016.

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

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

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

	2017 <i>HK\$'000</i> (audited)	2016 <i>HK\$'000</i> (audited)
Korea Software Financial Cooperative	2,942	2,545
Korea Broadcasting & Communication Financial Cooperative	<u>35</u>	<u>29</u>
	<u>2,977</u>	<u>2,574</u>

Korea Software Financial Cooperative ("KSFC") was established pursuant to the Software Industry Promotion Act of Korea. KSFC provides to its members, (i) loans and investments necessary to develop software, upgrade technologies and stabilise the management, (ii) guarantees for liabilities of any software business operator who intends to obtain loans from financial institutions for the purpose of developing software, upgrading technologies and stabilising his/her business management, (iii) performance guarantees necessary for business.

Korea Broadcasting & Communication Financial Cooperative ("KBCFC"), was established under the provisions of the Small and Medium Enterprise Cooperatives Act of Korea with aims of promoting sound development of information communication industry and welfare of its members to encourage their independent economic activities for the improvement of their economic status and the balanced development of the national economy. Small and medium enterprises engaging in manufacturing telecommunication and broadcasting apparatuses and industrial cooperatives engaging in an identical or related type of business are eligible for membership in KBCFC.

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

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

KSFC is entitled to be indemnified by Global Telecom under the terms and conditions of the above guarantees given by KSFC. The directors consider that the probability for Global Telecom to indemnify KSFC is remote and the disclosure of contingent liabilities arising from such guarantees as of each reporting date is not required.

Although there is no quoted market price in active market for the investment in KSFC, the directors are of the opinion that the fair value of the investment in KSFC as at 31 December 2017 can be measured reliably given that KSFC is required under Article 35 of Software Industry Promotion Act, which became effective on 23 March 2016, to repurchase Global Telecom's investment in KSFC at a value as set out in the statement provided by KSFC to Global Telecom as at 31 December 2017. In respect of the investment in KBCFC, the directors are of the opinion that its fair value cannot be measured reliably and accordingly, the investment is measured at cost less any accumulated impairment losses.

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

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

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

	Type A		Type B	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)
Account value as at				
31 December	–	224	1,713	1,231
Insurance policy type	Accident insurance plan		Life insurance plan	
Insured	Employees		Mr. Suh Seung Hyun	
Insured sum	HK\$284,560 for each employee		HK\$106,710	
Premium period	3 years		10 years	

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

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

10. INVENTORIES

	2017 <i>HK\$'000</i> (audited)	2016 <i>HK\$'000</i> (audited)
Hardware and software	<u>7,854</u>	<u>7,038</u>

11. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i> (audited)	2016 <i>HK\$'000</i> (audited)
Trade receivables	104,832	84,239
Less: Provision for impairment of trade receivables	<u>(9,813)</u>	<u>(8,115)</u>
Trade receivables, net (<i>note (a)</i>)	95,019	76,124
Retention money receivable	15,014	7,214
Short-term loans to employees (<i>note (b)</i>)	513	565
Accrued interest	36	59
Rental and other deposits	154	2,235
Other receivables	<u>147</u>	<u>58</u>
	<u>110,883</u>	<u>86,255</u>

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

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

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

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

The ageing analysis of trade receivables net of impairment provision that are past due but not impaired, based on due date is as follows:

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

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

- (b) The loans to employees of Global Telecom are fully secured by the employees' entitlement to retirement benefit, carry market interest rate at 6.9% (2016: 6.9%) per annum as at 31 December 2017 and repayable within one year from the respective dates of drawdown of loans.

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

12. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Profit and loss

Revenue

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

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

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

Gross profit and gross profit margin

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

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

Selling and administrative expenses

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

Profit for the year

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

This translates into Earnings per Share (Basic and Diluted) of HK cents 1.32 (Earnings per Share (Basic and Diluted) for 2016: HK cents 1.06) as highlighted on the second page of this announcement.

Balance Sheet

Non-current assets

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

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

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

Current assets

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

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

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

This translates into Cash per Share of HK cents 35.27 as at 31 December 2017 (Cash per Share for 2016: HK cents 22.39) as highlighted on the second page of this announcement.

Current liabilities

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

Non-current liabilities

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

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

This translates into Equity per Share of HK cents 34.55 as at 31 December 2017 (Equity per Share for 2016: HK cents 36.01) as highlighted on the second page of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

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

BUSINESS REVIEW

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

System Integration Services

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

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

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

Maintenance Services

The Group also provides maintenance services to customers to ensure that their systems are running properly, and, in the event of system failures, to identify the fault and repair the relevant part of their systems to minimise disruption to customers' operations. The revenue from maintenance services decreased by 6.4% from HK\$95.7 million for the year ended 31 December 2016 to HK\$89.6 million for the year ended 31 December 2017. Such decrease was primarily due to lower revenue generated in 2017. The segment profit of maintenance services decreased by 30.4% from HK\$34.5 million for the year ended 31 December 2016 to HK\$24.0 million for the year ended 31 December 2017. Such percentage of decrease was due to decrease in the revenue of maintenance services from Korea operations as well as loss of two maintenance contracts with higher margin.

FUTURE PROSPECTS

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

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

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

FOREIGN EXCHANGE EXPOSURE

The Group's exposures to currency risk mainly arise from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are denominated in US\$). In 2017, the Group recorded exchange gain of approximately HK\$3.7 million.

CHARGES ON GROUP'S ASSETS

As at 31 December 2017, a fixed deposit amounting to HK\$3.7 million was pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had an aggregate of 157 (31 December 2016: 156) employees. The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total staff costs, including Directors' emoluments, amounted to approximately HK\$70.3 million for the

year ended 31 December 2017 (31 December 2016: approximately HK\$69.0 million). The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 31 December 2017, no share option had been granted.

CORPORATE GOVERNANCE PRACTICES

The Group has applied the principles and practices of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

The Directors consider that the Group has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2017.

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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its securities dealing code (“**Securities Dealing Code**”) which is no less exacting than the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Following a specific enquiry made by the Company on the Directors, all of the Directors confirmed that they had complied with the Securities Dealing Code during the year.

EVENTS AFTER THE REPORTING DATE

As from 31 December 2017 to the date of this announcement, no significant events have occurred.

DIVIDENDS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules during the year ended 31 December 2017 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE “AGM”)

The forthcoming AGM of the Company will be held on Tuesday, 8 May 2018 at 10:00 am. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018 (both days inclusive, 4 business days in total) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

AUDIT COMMITTEE

Our Group established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors namely, Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai. Mr. Sum Chun Ho possesses the appropriate professional accounting qualifications and serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of our Group’s internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2017.

APPRECIATION

I would like to close by thanking the Board, management and every member of our committed staff for their dedication and hard work, and our shareholders for their continued confidence and support.

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

Hong Kong, 19 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang, Mr. Lee Seung Han and Mr. Ryoo Seong Ryul, and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.futuredatagroup.com.