FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8229)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*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 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 2018

The Group's revenue for the year ended 31 December 2018 was approximately HK$605.2 million representing an increase of approximately 19.5% as compared to that of approximately HK$506.5 million in 2017.

Profit for the year of the Group for the year ended 31 December 2018 was approximately HK$5.8 million representing an increase of approximately 9.2% as compared to that of approximately HK$5.3 million in 2017.

During the year, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards. The adoption of HKFRS 9 resulted in an additional provision of HK$2,096,000 on trade receivables as at 1 January 2018 and reduced the retained earnings as at 1 January 2018 of the same amount.

Basic and diluted earnings per share for the year ended 31 December 2018 was HK cents 1.44 (Basic and diluted earnings per share for 2017: HK cents 1.32).

Cash per share as at 31 December 2018 was HK cents 34.03 (Cash per share for 2017: HK cents 35.27).

Equity per share as at 31 December 2018 was HK cents 33.92 (Equity per share for 2017: HK cents 34.55).

The Board recommends the payment of a final dividend of HK cents 1.47 per share for the year ended 31 December 2018 (2017: nil).

ANNUAL RESULTS

The board of directors (the "**Board**") of Future Data Group Limited (the "**Company**") is pleased to present the audited results of the Group for the year ended 31 December 2018, together with comparative audited figures for the corresponding year in 2017 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000** **(audited)**	2017 *HK$'000* (audited)
Revenue	*5*	**605,161**	506,490
Cost of sales and services		**(508,743)**	(435,259)
Gross profit		**96,418**	71,231
Other income		**2,154**	4,829
Selling and administrative expenses		**(87,206)**	(67,974)
Finance costs		**(1,017)**	(528)
Profit before income tax	*6*	**10,349**	7,558
Income tax expense	*7*	**(4,591)**	(2,287)
Profit for the year		**5,758**	5,271
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Recognition of actuarial losses on defined benefit obligations		**(1,245)**	(687)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of other financial assets		**–**	31
Exchange differences arising on translation of foreign operations		**(5,350)**	12,783
Total other comprehensive income		**(6,595)**	12,127
Total comprehensive income for the year		**(837)**	17,398
Earnings per share – Basic and Diluted (HK cents)	*9*	**1.44**	1.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000 (audited)	2017 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,858**	7,765
Intangible assets	*10*	**12,319**	11,698
Other financial assets	*11*	**4,810**	4,690
Guarantee deposits		**4,531**	5,096
Deferred tax assets		**6,053**	3,604
		34,571	32,853
Current assets			
Inventories	*12*	**6,337**	7,854
Trade and other receivables	*13*	**131,133**	110,883
Tax recoverable		**–**	762
Amount due from ultimate holding company	*14*	**5,874**	–
Amounts due from contract customers	*15*	**–**	9,525
Contract assets	*15*	**21,595**	–
Prepayments		**6,438**	4,127
Pledged bank deposit		**3,486**	3,663
Fixed bank deposits		**4,461**	5,275
Cash and cash equivalents		**136,134**	141,062
		315,458	283,151
Current liabilities			
Trade and other payables	*16*	**180,721**	158,493
Amounts due to contract customers	*15*	**–**	2,321
Contract liabilities	*15*	**5,563**	–
Bank borrowings	*17*	**23,224**	16,520
Tax payable		**3,893**	–
Deferred tax liabilities		**–**	280
		213,401	177,614
Net current assets		**102,057**	105,537
Total assets less current liabilities		**136,628**	138,390

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000	Share premium* HK$'000	Capital reserve* HK$'000	Investment revaluation reserve* HK$'000	Research and development reserve* HK$'000	Foreign exchange reserve* HK$'000	Legal reserve* HK$'000	Retained earnings* HK$'000	Total equity HK$'000
Balance at 1 January 2017 (audited)	4,000	46,198	13,855	501	3,674	(9,804)	1,530	65,454	125,408
Profit for the year	–	–	–	–	–	–	–	5,271	5,271
Fair value gain on other financial assets	–	–	–	31	–	–	–	–	31
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	–	(687)	(687)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	12,783	–	–	12,783
Total comprehensive income	–	–	–	31	–	12,783	–	4,584	17,398
Appropriation	–	–	–	–	–	–	465	(465)	–
Transactions with owners									
Dividends paid in respect of the previous year *(note 8)*	–	(4,600)	–	–	–	–	–	–	(4,600)
	–	(4,600)	–	–	–	–	465	(465)	(4,600)
Balance at 31 December 2017 as originally presented	4,000	41,598	13,855	532	3,674	2,979	1,995	69,573	138,206
Initial application of HKFRS 9 *(note 2(a)A)*	–	–	–	(532)	–	–	–	(1,151)	(1,683)
Restated balance at 1 January 2018	4,000	41,598	13,855	–	3,674	2,979	1,995	68,422	136,523
Restated balance at 1 January 2018	4,000	41,598	13,855	–	3,674	2,979	1,995	68,422	136,523
Profit for the year	–	–	–	–	–	–	–	5,758	5,758
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	–	(1,245)	(1,245)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(5,350)	–	–	(5,350)
Total comprehensive income	–	–	–	–	–	(5,350)	–	4,513	(837)
Balance at 31 December 2018 (audited)	4,000	41,598	13,855	–	3,674	(2,371)	1,995	72,935	135,686

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 8 July 2016 ("**Listing Date**"). 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, 15th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

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

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

As at 31 December 2018, the Directors of the Company considered the immediate holding company to be LiquidTech Limited ("**LiquidTech**"), incorporated in the British Virgin Islands, and the ultimate holding company to be Asia Media Systems Pte. Ltd. ("**AMS**") incorporated in Singapore.

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

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

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on or after 1 January 2018.

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

A. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

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

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

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

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

Presentation of ECLs

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

Impact of the ECL model

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

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

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

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

(b) Impairment of other receivables

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

(iii) Transition

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

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

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

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

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

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

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

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

Note	Products/Services	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	System integration	Revenue is generated from contracts of system integration. The system integration projects involve the Group to source and integrate suitable hardware and software components and configure them into a compatible system in accordance with the requirements of the customers. Such projects comprise a single performance obligation because the project implementation by the Group to deliver the required system specified by the customers involve a number of processes each of which are highly interdependent and highly interrelated to each other. Since the project implementation is carried out in the customers' sites, the customers have control over the projects. Accordingly, the revenue generated from system integration projects is recognised over time using the input method (i.e. percentage of completion is established by reference to the costs incurred up to the reporting date as compared to the total costs to be incurred under the contracts except where this would not be representative of the stage of completion.) Invoices are issued according to the payment milestone stated in the contracts and the normal credit terms range from 30 days to 90 days. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.	The application of HKFRS 15 did not result in significant impact on the Group's accounting policies. A contract asset or contract liability is recognised under HKFRS 15 instead of amounts due from contract customers and amounts due to contract customers respectively under HKAS 11.

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 – Leases

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

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

As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating lease of the Group were approximately HK$4,108,000.

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

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

HK(IFRIC) Interpretation 23 – Uncertainty over Income Tax Treatments

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

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

Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

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

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

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

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the 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**").

3.2 Basis of measurement

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

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. SEGMENT INFORMATION

The executive directors of the Company are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the executive directors for the purposes of allocating resources and assessing performance.

The executive directors review the performance of the Group mainly from the service perspective. The Group is organised into two segments engaged in:

(i) System integration

(ii) Maintenance services

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

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

The segment results are as follows:

(a) Business segments:

	2018 System integration HK$'000 (audited)	2018 Maintenance services HK$'000 (audited)	2018 Total HK$'000 (audited)	2017 System integration HK$'000 (audited)	2017 Maintenance services HK$'000 (audited)	2017 Total HK$'000 (audited)
Total segment revenue	**462,142**	**143,019**	**605,161**	416,860	89,630	506,490
Gross profit/segment results	**48,699**	**47,719**	**96,418**	47,219	24,012	71,231
Other income			**2,154**			4,829
Selling and administrative expenses			**(87,206)**			(67,974)
Finance costs			**(1,017)**			(528)
Profit before income tax			**10,349**			7,558
Income tax expense			**(4,591)**			(2,287)
Profit for the year			**5,758**			5,271

(b) Geographic information:

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

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

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

The principal places of the Group's operations are Korea and Hong Kong. The Group regarded Korea as its place of domicile.

(c) Information about major customers

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

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

These revenues are derived from the segment of system integration.

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

5. REVENUE

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

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

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

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

(b) Disaggregation of revenue

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

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

(c) Transaction price allocated to the remaining performance obligations

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

	2018	2017
	HK$'000	*HK$'000*
	(audited)	(audited)
Provision of system integration	**34,379**	38,231

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

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

6. PROFIT BEFORE INCOME TAX

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

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

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

8. DIVIDENDS

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

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

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
	(audited)	(audited)
Earnings		
Profit for the year	**5,758**	5,271

	2018	2017
	Number'000	*Number'000*
	(audited)	(audited)
Number of shares		
Weighted average number of ordinary shares	**400,000**	400,000

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

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2018 and 2017.

10. INTANGIBLE ASSETS

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

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

11. OTHER FINANCIAL ASSETS – NON – CURRENT

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

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

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

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

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

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

As at 31 December 2018, KSFC provided the following guarantees on behalf of Global Telecom:

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

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

Although there is no quoted market price in active market for the investment in KSFC, the Directors are of the opinion that the fair value of the investment in KSFC as at 31 December 2018 can be measured reliably given that KSFC is required under Article 35 of Software Industry Promotion Act, which became effective on 23 March 2016, to repurchase Global Telecom's investment in KSFC at a value as set out in the statement provided by KSFC to Global Telecom as at 31 December 2018. In respect of the investment in KBCFC, the Directors are of the opinion that its fair value approximates to its carrying value, which is very immaterial.

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

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

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

	2018	2017
	HK$'000	*HK$'000*
	(audited)	(audited)
Account value as at 31 December	**1,932**	1,713

Insurance policy type	Life insurance plan
Insured	Mr. Suh Seung Hyun
Insured sum	HK$106,710
Premium period	10 years

During the insured periods covered by the insurance policy, Global Telecom can earn interest income which is linked to the then prevailing market saving interest rates. The Directors consider that the account value of this insurance policy provided by the insurance company approximates its fair value.

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
	(audited)	(audited)
Hardware and software	**6,337**	7,854

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

14. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

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

The amount due from AMS was unsecured, non-interest bearing and repayable on demand.

15. CONTRACT ASSETS AND CONTRACT LIABILITES

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

(a) Contract assets

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

Notes:

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

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

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

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

(b) Contract liabilities

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

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

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

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

16. TRADE AND OTHER PAYABLES

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

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

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

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

17. BANK BORROWINGS

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

(a) Bank loans are carried at amortised cost.

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

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

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

(c) As at 31 December 2018, Korea Credit Guarantee Fund, which is a public financial institution independent of the Group, provided foreign and local currency guarantees to certain banks in the amount of US$400,000 and KRW440,000,000 (2017: US$500,000 and KRW488,000,000) for import financing facilities and bank loans provided to Global Telecom.

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of profit or loss analysis

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

Revenue

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

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

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

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

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

Gross profit and gross profit margin

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

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

Selling and administrative expenses

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

Profit for the year

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

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

Statement of financial position analysis

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

Non-current assets

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

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

Current assets

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

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

Current liabilities

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

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

Non-current liabilities

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

Net assets

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

Due to the unfavorable movement of KRW against HK$, the Group recorded an exchange loss on translation of foreign operations of approximately HK$5.4 million for the year ended 31 December 2018 which significantly eroded the total comprehensive income generated by the Group during the year.

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

Statement of cash flows analysis

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

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

Cash flows from operating activities

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

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

Cash flows from investing activities

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

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

Cash flows from financing activities

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

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

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

OTHER INFORMATION

Liquidity and Financial Resources

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

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

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

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

Foreign Exchange Exposure

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

Charges on Group's Assets

As at 31 December 2018, a fixed deposit amounting to HK$3.5 million was pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

Material Investments and Capital Assets

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

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

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

Significant Acquisitions and Disposals

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

Contingent Liabilities

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

Business Review

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

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

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

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

Key performance indicators

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

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

Prospects

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

Employees and Remuneration Policy

As at 31 December 2018, the Group had an aggregate of 166 (31 December 2017: 157) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total employee costs, including Directors' emoluments, amounted to approximately HK$86.7 million for the year ended 31 December 2018 (31 December 2017: approximately HK$70.3 million).

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 31 December 2018, no share option had been granted.

Use of Proceeds

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

The net proceeds from the placing for the year ended 31 December 2018 were used as follows:

Use of proceeds	**Planned use of net proceeds from 5 September 2017 up to 31 December 2018** *(HK$ million)*	**Actual use of net proceeds up to 31 December 2018** *(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

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 cooperate 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 in the CG Code. Throughout the year ended 31 December 2018, the Company has complied with the code provisions as set out in the CG Code which is adopted as its own code to govern its corporate governance practices. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

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 during the year ended 31 December 2018.

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 2018 to the date of this announcement, no significant events have occurred.

DIVIDENDS

The Board recommends the payment of a final dividend of HK cents 1.47 per ordinary share for the year ended 31 December 2018 (2017: Nil) out of the share premium account of the Company. Subject to the approval at the forthcoming annual general meeting of the Company, it is expected that the final dividend will be paid on or around Thursday, 6 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules during the year ended 31 December 2018 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Wednesday, 8 May 2019 at 10:00 a.m. A notice convening the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

I. For attending and voting at the AGM

The register of members of the Company will be closed from Friday, 3 May 2019 to Wednesday, 8 May 2019 (both days inclusive, 4 business days in total) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 May 2019.

II. For entitlement of proposed final dividend

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

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. For the year ended 31 December 2018, the Audit Committee consists of three independent non-executive Directors namely, Mr. Wong Sik Kei, Mr. Yung Kai Tai and Mr. Sum Chun Ho. Mr. Sum Chun Ho possesses the appropriate professional accounting qualifications and serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of our Group's internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2018.

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, 15 March 2019

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 on the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.futuredatagroup.com.