FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8229)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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FINANCIAL HIGHLIGHTS
For the year ended 31 December 2019

The Group's revenue for the year ended 31 December 2019 was approximately HK$646.5 million representing an increase of approximately 6.8% as compared to that of approximately HK$605.2 million in 2018.

Profit for the year of the Group for the year ended 31 December 2019 was approximately HK$4.0 million representing a decrease of approximately 29.8% as compared to that of approximately HK$5.8 million in 2018.

Basic and diluted earnings per share for the year ended 31 December 2019 was HK cents 1.09 (Basic and diluted earnings per share for 2018: HK cents 1.44).

Cash per share as at 31 December 2019 was HK cents 29.02 (Cash per share for 2018: HK cents 34.03).

Equity attributable to the owners of the Company per share as at 31 December 2019 was HK cents 32.28 (Equity attributable to the owners of the Company per share for 2018: HK cents 33.92).

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

ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to present the audited results of the Group for the year ended 31 December 2019, together with comparative audited figures for the corresponding year in 2018 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(audited)	(audited)
Revenue	*5*	**646,470**	605,161
Cost of sales and services		**(559,441)**	(508,743)
Gross profit		**87,029**	96,418
Other income		**4,974**	2,154
Selling and administrative expenses		**(86,297)**	(87,206)
Finance costs		**(1,445)**	(1,017)
Profit before income tax	*6*	**4,261**	10,349
Income tax expense	*7*	**(220)**	(4,591)
Profit for the year		**4,041**	5,758
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Recognition of actuarial losses on defined benefit obligations		**(1,631)**	(1,245)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,421)**	(5,350)
Total other comprehensive income		**(5,052)**	(6,595)
Total comprehensive income for the year		**(1,011)**	(837)
Profit/(loss) attributable to:			
Owners of the Company		**4,373**	5,758
Non-controlling interests		**(332)**	–
		4,041	5,758
Total comprehensive income attributable to:			
Owner of the Company		**(679)**	(837)
Non-controlling interests		**(332)**	–
		(1,011)	(837)
Earnings per share attributable to owners of the Company – Basic and Diluted (HK cents)	*9*	**1.09**	1.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (audited)	2018 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,715**	6,858
Intangible assets	*10*	**13,854**	12,319
Goodwill	*11*	**7,534**	–
Other financial assets	*12*	**5,000**	4,810
Guarantee deposits		**4,671**	4,531
Deferred tax assets		**7,160**	6,053
		44,934	34,571
Current assets			
Inventories	*13*	**9,729**	6,337
Trade and other receivables	*14*	**89,794**	131,133
Amount due from ultimate holding company	*15*	**–**	5,874
Contract assets	*16*	**21,623**	21,595
Prepayments		**10,748**	6,438
Pledged bank deposit		**3,372**	3,486
Fixed bank deposits		**4,316**	4,461
Cash and cash equivalents		**116,075**	136,134
		255,657	315,458
Current liabilities			
Trade and other payables	*17*	**115,966**	180,721
Contract liabilities	*16*	**30,443**	5,563
Lease liabilities		**993**	–
Bank borrowings	*18*	**20,582**	23,224
Tax payable		**239**	3,893
Deferred tax liabilities		**378**	–
		168,601	213,401
Net current assets		**87,056**	102,057
Total assets less current liabilities		**131,990**	136,628

	Notes	**2019** ***HK$'000*** **(audited)**	2018 *HK$'000* (audited)
Non-current liabilities			
Lease liabilities		**661**	–
Defined benefit obligations		**1,181**	942
		1,842	942
Net assets		**130,148**	135,686
EQUITY			
Share capital		**4,000**	4,000
Reserves		**125,127**	131,686
Equity attributable to owners of the Company		**129,127**	135,686
Non-controlling interests		**1,021**	–
Total equity		**130,148**	135,686

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *HK$'000*	Share premium* *HK$'000*	Capital reserve* *HK$'000*	Research and development reserve* *HK$'000*	Foreign exchange reserve* *HK$'000*	Legal reserve* *HK$'000*	Retained earnings* *HK$'000*	Equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2018 (audited)	4,000	41,598	13,855	3,674	2,979	1,995	68,422	136,523	–	136,523
Profit for the year	–	–	–	–	–	–	5,758	5,758	–	5,758
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	(1,245)	(1,245)	–	(1,245)
Exchange differences arising on translation of foreign operations	–	–	–	–	(5,350)	–	–	(5,350)	–	(5,350)
Total comprehensive income	–	–	–	–	(5,350)	–	4,513	(837)	–	(837)
Balance at 31 December 2018 (audited)	4,000	41,598	13,855	3,674	(2,371)	1,995	72,935	135,686	–	135,686
Balance at 1 January 2019 (audited)	**4,000**	**41,598**	**13,855**	**3,674**	**(2,371)**	**1,995**	**72,935**	**135,686**	**–**	**135,686**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,373**	**4,373**	**(332)**	**4,041**
Recognition of actuarial losses on defined benefit obligations	**–**	**–**	**–**	**–**	**–**	**–**	**(1,631)**	**(1,631)**	**–**	**(1,631)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(3,421)**	**–**	**–**	**(3,421)**	**–**	**(3,421)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(3,421)**	**–**	**2,742**	**(679)**	**(332)**	**(1,011)**
Dividends paid in respect of the previous year *(note 8)*	**–**	**(5,880)**	**–**	**–**	**–**	**–**	**–**	**(5,880)**	**–**	**(5,880)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,353**	**1,353**
Balance at 31 December 2019 (audited)	**4,000**	**35,718**	**13,855**	**3,674**	**(5,792)**	**1,995**	**75,677**	**129,127**	**1,021**	**130,148**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

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

	2019	2018
	HK$'000	*HK$'000*
	(audited)	(audited)
Cash flows from investing activities		
Net cash outflows from acquisition through business combinations *(note 19)*	**(2,843)**	–
Research and development expenditures	**(2,854)**	(3,580)
Purchases of property, plant and equipment	**(1,519)**	(3,073)
Purchases of other financial assets	**(228)**	(315)
Proceeds from disposal of property, plant and equipment	**98**	18
Decrease in fixed bank deposits	**–**	570
Decrease/(increase) in amount due from ultimate holding company	**5,874**	(5,874)
Net cash used in investing activities	**(1,472)**	(12,254)
Cash flows from financing activities		
Proceeds from bank borrowings	**145,304**	108,377
Repayments of bank borrowings	**(146,834)**	(100,503)
Interest paid	**(1,445)**	(1,010)
Repayment of principal portion of the lease liabilities	**(1,941)**	–
Dividends paid	**(5,880)**	–
Net cash (used in)/generated from financing activities	**(10,796)**	6,864
Net (decrease)/increase in cash and cash equivalents	**(15,701)**	1,522
Cash and cash equivalents at beginning of year	**136,134**	141,062
Effect of exchange rate changes	**(4,358)**	(6,450)
Cash and cash equivalents at end of year	**116,075**	136,134
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**116,075**	136,134

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 since 8 July 2016. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Suite 1507-08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The principal places of the Group's business are located at Unit 801-809, 822, Mullae SK V1 Center, 10, Seonyu-ro 9-gil, Yeongdeungpo-gu, Seoul, Korea and at the aforementioned address in Hong Kong.

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

As at 31 December 2019, the directors of the Company considered the immediate holding company to be LiquidTech Limited ("**LiquidTech**"), incorporated in the British Virgin Islands, and the ultimate holding company to be Asia Media Systems Pte. Ltd. ("**AMS**") incorporated in Singapore.

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

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

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

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

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

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

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

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

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

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

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

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

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

(ii) The new definition of a lease

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use assets

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

Lease liabilities

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

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

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

(iv) Transition

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

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

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

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

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

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

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

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

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

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]

Amendments to References to Conceptual Framework in HKFRS Standards[1]

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

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

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

(i) System integration

(ii) Maintenance services

(iii) Cyber security services

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

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

The segment results are as follows:

(a) Business segments

2019

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

2018

	System integration	Maintenance services	Cyber security services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Total segment revenue and revenue from external customers	462,142	118,852	24,167	605,161
Gross profit/segment results	48,699	34,917	12,802	96,418
Other income				2,154
Selling and administrative expenses				(87,206)
Finance costs				(1,017)
Profit before income tax				10,349
Income tax expense				(4,591)
Profit for the year				5,758

(b) Geographic information

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

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

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

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

Information about major customers

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

5. REVENUE

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

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

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

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

(b) Disaggregation of revenue

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

	2019				2018			
	System integration	**Maintenance services**	**Cyber security services**	**Total**	System integration	Maintenance services	Cyber security services	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	**(audited)**	**(audited)**	**(audited)**	(audited)	(audited)	(audited)	(audited)
Type of goods or services								
– Cloud infrastructure	**386,199**	**125,846**	**–**	**512,045**	355,459	96,761	–	452,220
– Security	**98,380**	**5,418**	**24,936**	**128,734**	106,683	22,091	24,167	152,941
– Software license	**–**	**5,691**	**–**	**5,691**	–	–	–	–
Total revenue from contracts with customers	**484,579**	**136,955**	**24,936**	**646,470**	462,142	118,852	24,167	605,161

	2019				2018			
	System integration	**Maintenance services**	**Cyber security services**	**Total**	System integration	Maintenance services	Cyber security services	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	**(audited)**	**(audited)**	**(audited)**	(audited)	(audited)	(audited)	(audited)
Type of customers								
– Public sector	**201,286**	**75,765**	**–**	**277,051**	154,349	66,339	–	220,688
– Private sector	**283,293**	**61,190**	**24,936**	**369,419**	307,793	52,513	24,167	384,473
Total revenue from contracts with customers	**484,579**	**136,955**	**24,936**	**646,470**	462,142	118,852	24,167	605,161
Contract duration								
– Within 12 months	**482,773**	**104,886**	**20,892**	**608,551**	455,752	99,364	24,167	579,283
– Over 12 months but less than 24 months	**1,666**	**11,239**	**2,087**	**14,992**	4,384	4,490	–	8,874
– Over 24 months	**140**	**20,830**	**1,957**	**22,927**	2,006	14,998	–	17,004
Total revenue from contracts with customers	**484,579**	**136,955**	**24,936**	**646,470**	462,142	118,852	24,167	605,161

(c) Transaction price allocated to the remaining performance obligations

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

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

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK$104,451,000 (2018: HK$34,379,000) allocated to the contracts under system integration and cyber security services as at 31 December 2019 will be recognised as revenue on or before 30 June 2022 (2018: on or before 30 September 2019).

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

6. PROFIT BEFORE INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
	(audited)	(audited)
Carrying amount of inventories sold	**487,068**	446,962
Net (reversal)/provision for impairment of inventories	**(262)**	2,816
Costs of inventories recognised as expenses	**486,806**	449,778
Employee costs	**95,818**	86,738
Subcontracting costs	**38,229**	16,429
Agency commission	**–**	5,500
Provision for impairment of trade receivables	**7,637**	1,489
Amortisation of intangible assets	**4,180**	2,959
Depreciation of property, plant and equipment	**3,347**	3,971
Depreciation of right-of-use assets *(note i)*	**2,414**	–
Auditor's remuneration	**1,100**	1,052
Research and development costs *(note ii)*	**2,824**	2,835
Interest on lease liabilities	**71**	–
Net loss on disposal of other financial assets	**12**	6
Net loss/(gain) on foreign exchange	**590**	(108)
Net gain on disposal of property, plant and equipment	**(60)**	(7)
Fair value gain on other financial assets	**(118)**	(46)
Reversal of contingent consideration	**(32)**	–
Reversal of provision for litigation claims	**(3,256)**	–
Short term leases expenses	**407**	–
Low-value assets leases expenses	**23**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	1,945

Notes:

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

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

7. INCOME TAX EXPENSE

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

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

Global Telecom is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively "Korean Corporate Income Tax"). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2019. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2019 are as follows:

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK$1.4 million for the year ended 31 December 2019 (2018: KRW200 million (equivalent to approximately HK$1.4 million));

- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK$1.4 million) for the year ended 31 December 2018 (2018: KRW200 million (equivalent to approximately HK$1.4 million)) and up to KRW20 billion (equivalent to approximately HK$134.7 million) for the year ended 31 December 2019 (2018: KRW20 billion (equivalent to approximately HK$142.6 million));

- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$134.7 million for the year ended 31 December 2019 (2018: KRW20 billion (equivalent to approximately HK$142.6 million)).

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Under two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million.

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

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

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

8. DIVIDENDS

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

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

9. BASIC AND DILUTED EARNINGS PER SHARE

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

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

	2019	2018
	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 2019 represents the number of shares in issue throughout the year.

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2019 and 2018.

10. INTANGIBLE ASSETS

	Reacquired right of software ***HK$'000*** **(audited)**	**Software platforms (note)** ***HK$'000*** **(audited)**	**Total** ***HK$'000*** **(audited)**
Cost:			
At 1 January 2018	–	12,923	12,923
Additions	–	3,580	3,580
At 31 December 2018	–	16,503	16,503
Additions	–	2,854	2,854
Acquired through business combinations *(note 19)*	1,950	911	2,861
At 31 December 2019	1,950	20,268	22,218
Accumulated amortisation:			
At 1 January 2018	–	1,225	1,225
Amortisation charge for the year	–	2,959	2,959
At 31 December 2018	–	4,184	4,184
Amortisation charge for the year	350	3,830	4,180
At 31 December 2019	350	8,014	8,364
Carrying Amount			
At 31 December 2019	1,600	12,254	13,854
At 31 December 2018	–	12,319	12,319

Note:

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

11. GOODWILL

	2019
	HK$'000
	(audited)
At 1 January 2019	**–**
Acquired through business combinations *(note 19)*	**7,534**
At 31 December 2019	**7,534**

Impairment testing on goodwill

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

	2019
	HK$'000
	(audited)
Cyber security – Hong Kong	**7,534**

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

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

12. OTHER FINANCIAL ASSETS – NON-CURRENT

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

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

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

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

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

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

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

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

Although there is no quoted market price in active market for the investment in KSFC, the Directors are of the opinion that the fair value of the investment in KSFC as at 31 December 2019 can be measured reliably given that KSFC is required under Article 35 of Software Industry Promotion Act, which became effective on 23 March 2016, to repurchase Global Telecom's investment in KSFC at a value as set out in the statement provided by KSFC to Global Telecom as at 31 December 2019. In respect of the investment in KBCFC, the Directors are of the opinion that its fair value approximates to its carrying value, which is very immaterial.

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

As at 31 December 2019, a fixed bank deposit of KRW500 million (equivalent to approximately HK$3.4 million (2018: KRW500 million (equivalent to approximately HK$3.5 million)) has been pledged with KSFC in return for the guarantees provided by KSFC above.

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

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

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

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

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

13. INVENTORIES

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

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

14. TRADE AND OTHER RECEIVABLES

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

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

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

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

15. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

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

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

16. CONTRACT ASSETS AND CONTRACT LIABILITES

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

(a) Contract assets

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

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

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

(b) Contract liabilities

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

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

	2019 ***HK$'000*** **(audited)**	2018 *HK$'000* (audited)
Movements in contract liabilities		
Balance at the beginning of the year	**5,563**	2,321
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,563)**	(2,077)
Acquired through business combination *(note 19)*	**5,848**	–
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the acquisition date	**(5,848)**	–
Increase as a result of billing in advance of revenue recognition of contracts for system integration and cyber security services	**30,443**	5,319
Balance at the end of the year	**30,443**	5,563

17. TRADE AND OTHER PAYABLES

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

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

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

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

18. BANK BORROWINGS

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

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2019			
Bank B	US$301,675	3-month LIBOR plus 1.80% per annum	July 2020
Bank C	US$608,250	3-month LIBOR plus 1.58% per annum	April 2020
Bank D	US$1,016,007	KORIBOR base rate plus 1.30% per annum	September 2020
Bank E	US$709,984	3-month LIBOR plus 1.70% per annum	September 2020
2018			
Bank A	US$85,536	3-month LIBOR plus 2.30% per annum	May 2019
Bank B	US$254,344	3-month LIBOR plus 2.00% per annum	September 2019
Bank C	US$1,096,058	KORIBOR base rate plus 1.62% per annum	April 2019
Bank D	US$1,297,784	3-month LIBOR plus 1.30% per annum	September 2019

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

(c) As at 31 December 2019, Korea Credit Guarantee Fund, which is a public financial institution independent of the Group, provided foreign and local currency guarantees to certain banks in the amount of US$320,000 and KRW400 million (2018: US$400,000 and KRW440 million) for import financing facilities and bank loans provided to Global Telecom.

19. BUSINESS ACQUISITION DURING THE YEAR

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

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

	Carrying values and fair values
	HK$'000
Property, plant and equipment	1,018
Intangible assets (including reacquired rights of software of HK$1,950,000 under note 10)	2,861
Trade and other receivables	4,478
Bank balances and cash	1,157
Contract assets	1,965
Amount due from Future Data	6,000
Trade and other payables	(6,415)
Contract liabilities	(5,848)
Lease liabilities	(893)
Deferred tax liabilities	(472)
	3,851
Less: Non-controlling interests	(1,353)
Net identifiable assets	2,498

	HK$'000
Cash consideration settled	4,000
Cash consideration to be settled	2,000
Consideration to be settled by way of set off against current account with Maximus Group	4,000
Fair value of contingent consideration	32
Less: Fair values of net identifiable assets	(2,498)
Goodwill *(note 11)*	7,534

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of profit or loss analysis

For the year ended 31 December 2019

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

Revenue

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

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

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

Gross profit and gross profit margin

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

Other income

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

Selling and administrative expenses

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

Profit for the year

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

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

Statement of financial position analysis
As at 31 December 2019

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

Non-current assets

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

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

Current assets

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

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

Current liabilities

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

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

Non-current liabilities

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

Net assets

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

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

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

Statement of cash flows analysis
For the year ended 31 December 2019

	2019	2018	Change	Change
	HK$'000	*HK$'000*	*HK$'000*	*%*
Profit before income tax expenses	**4,261**	10,349	(6,088)	(58.8%)
Total adjustments for operating activities	**17,361**	11,177	6,184	55.3%
Operating profit before working capital changes	**21,622**	21,526	96	0.4%
Changes on:				
– Guarantee deposits	**–**	325	(325)	(100.0%)
– Inventories	**(3,365)**	(1,996)	1,369	68.6%
– Trade and other receivables	**27,721**	(29,355)	(57,076)	(194.4%)
– Contract assets	**1,232**	(12,816)	(14,048)	(109.6%)
– Prepayments	**(4,285)**	(2,535)	1,750	69.0%
– Trade and other payables	**(58,408)**	30,789	(89,197)	(289.7%)
– Contract liabilities	**19,186**	3,430	15,756	459.4%
– Defined benefit obligations	**(1,822)**	(812)	1,010	124.4%
Cash generated from operations	**1,881**	8,556	(6,675)	(78.0%)
Income taxes paid	**(6,034)**	(2,894)	3,140	108.5%
Income taxes refunded	**108**	833	(725)	(87.0%)
Interest received	**612**	417	195	46.8%
Net cash (used in)/generated from operating activities	**(3,433)**	6,912	(10,345)	(149.7%)

	2019	2018	Change	Change
	HK$'000	*HK$'000*	*HK$'000*	*%*
Net cash outflows from acquisition through business combinations	**(2,843)**	–	2,843	100.0%
Research and development expenditures	**(2,854)**	(3,580)	(726)	(20.3%)
Purchases of property, plant and equipment	**(1,519)**	(3,073)	(1,554)	(50.6%)
Purchases of other financial assets	**(228)**	(315)	(87)	(27.6%)
Proceeds from disposal of property, plant and equipment	**98**	18	80	444.4%
Decrease in fixed bank deposits	**–**	570	(570)	(100.0%)
Decrease/(increase) in amount due from ultimate holding company	**5,874**	(5,874)	(11,748)	(200.0%)
Net cash used in investing activities	**(1,472)**	(12,254)	(10,782)	(88.0%)
Proceeds from bank borrowings	**145,304**	108,377	36,927	34.1%
Repayments of bank borrowings	**(146,834)**	(100,503)	46,331	46.1%
Interest paid	**(1,445)**	(1,010)	435	43.1%
Repayments of principal portion of the lease liabilities	**(1,941)**	–	1,941	100.0%
Dividend paid	**(5,880)**	–	5,880	100.0%
Net cash (used in)/generated from financing activities	**(10,796)**	6,864	(17,660)	(257.3%)
Net (decrease)/increase in cash and cash equivalents	**(15,701)**	1,522	(17,223)	(1,131.6%)
Cash and cash equivalents at beginning of year	**136,134**	141,062	(4,928)	(3.5%)
Effect of exchange rate changes	**(4,358)**	(6,450)	(2,092)	(32.4%)
Cash and cash equivalents at end of year	**116,075**	136,134	(20,059)	(14.7%)

Cash flows from operating activities

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

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

Cash flows from investing activities

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

Cash flows from financing activities

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

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

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2019, the Group's net current assets stood at HK$87.1 million showing a strong liquidity. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 1.5 times (as at 31 December 2018: 1.5 times), reflecting the adequacy of financial resources.

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

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

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

Foreign Exchange Exposure

The Group's business in Korea is exposed to currency risk that mainly arose from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are in US$). In preparing the costing of our system integration project in which procurement of components in US$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement between the costing date and the relevant settlement date. During the year of 2019, we experienced an unfavourable foreign exchange movement, and hence, recorded an increase in cost of goods sold.

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

Charges on Group's Assets

As at 31 December 2019, fixed deposits amounting to HK$3.4 million were pledged to KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group.

Material Investments and Capital Assets

The Group did not have any material investments and capital assets for the year ended 31 December 2019.

The carrying amount of the Group's unlisted equity securities as at 31 December 2019 accounted for approximately 0.9% of the Group's total assets and was not significant. The unlisted equity securities mainly represent the investment in KSFC (a cooperative established pursuant to the Software Industry Promotion Act with the purpose of promoting the development of the IT industry in Korea) for its membership. Depending on the amount of investment in KSFC, a member of KSFC is granted a certain amount of guarantee limit by KSFC for use in its operation.

The Group did not have any plan for material investments or capital asset as at 31 December 2019.

Significant Acquisitions and Disposals

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

Contingent Liabilities

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

Business Review

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

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

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

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

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

Key performance indicators

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

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

Prospects

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

Employees and Remuneration Policy

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

The employees of the Group are remunerated according to their skill, role and responsibilities. They also entitle to discretionary bonus based on their respective performance. Total employee costs, including Directors' emoluments, amounted to approximately HK$95.8 million for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$86.7 million).

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 31 December 2019, no share option had been granted.

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

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interest of the shareholders of the Company (the "**Shareholder**") and to enhance the corporate value, accountability and transparency of the Company.

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

The Company has applied the principles as set out in the CG Code. Throughout the year ended 31 December 2019, the Company has complied with the code provisions as set out in the CG Code which is adopted as its own code to govern its corporate governance practices. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

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

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

During the year ended 31 December 2019, 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.

EVENT AFTER THE REPORTING DATE

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

DIVIDENDS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules during the year ended 31 December 2019 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Friday, 8 May 2020 at 2:00 p.m. A notice convening the AGM will be published and despatched to the Shareholders 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 Tuesday, 5 May 2020 to Friday, 8 May 2020 (both days inclusive, 4 business days in total) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2020.

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 2019, the Audit Committee consists of three independent non-executive Directors namely, Mr. Wong Sik Kei, Mr. Yung Kai Tai and Mr. Sum Chun Ho. Mr. Sum Chun Ho possesses the appropriate professional accounting qualifications and serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of our Group's internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2019.

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, 23 March 2020

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 Listed Company Information" page of 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.