

FUTURE DATA
FUTURE DATA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8229)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement, for which the directors (the “**Directors**”) of Future Data Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred 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 2020

The Group's revenue for the year ended 31 December 2020 was approximately HK\$679.1 million representing an increase of approximately 5.0% as compared to that of approximately HK\$646.5 million in 2019.

Profit for the year of the Group for the year ended 31 December 2020 was approximately HK\$7.5 million representing an increase of approximately 85.9% as compared to that of approximately HK\$4.0 million in 2019.

Basic and diluted earnings per share for the year ended 31 December 2020 was HK cents 1.97 (Basic and diluted earnings per share for 2019: HK cents 1.09).

Cash per share as at 31 December 2020 was HK cents 24.0 (Cash per share for 2019: HK cents 29.0).

Equity attributable to owners of the Company per share as at 31 December 2020 was HK cents 35.7 (Equity attributable to owners of the Company per share for 2019: HK cents 32.3).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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 2020, together with comparative audited figures for the corresponding year in 2019 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000 (audited)	2019 HK\$'000 (audited)
Revenue	5	679,053	646,470
Cost of sales and services		<u>(602,131)</u>	<u>(559,441)</u>
Gross profit		76,922	87,029
Other income		6,558	4,974
Selling and administrative expenses		(73,707)	(86,297)
Finance costs		<u>(746)</u>	<u>(1,445)</u>
Profit before income tax	6	9,027	4,261
Income tax expense	7	<u>(1,514)</u>	<u>(220)</u>
Profit for the year		<u>7,513</u>	<u>4,041</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified</i> <i>subsequently to profit or loss:</i>			
Recognition of actuarial losses on defined benefit obligations		(826)	(1,631)
<i>Item that may be reclassified</i> <i>subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>6,533</u>	<u>(3,421)</u>
Total other comprehensive income		<u>5,707</u>	<u>(5,052)</u>
Total comprehensive income for the year		<u>13,220</u>	<u>(1,011)</u>
Profit/(loss) attributable to:			
Owners of the Company		7,876	4,373
Non-controlling interests		<u>(363)</u>	<u>(332)</u>
		<u>7,513</u>	<u>4,041</u>
Total comprehensive income attributable to:			
Owners of the Company		13,583	(679)
Non-controlling interests		<u>(363)</u>	<u>(332)</u>
		<u>13,220</u>	<u>(1,011)</u>
Earnings per share attributable to owners of the Company			
– Basic and Diluted (<i>HK cents</i>)	9	<u>1.97</u>	<u>1.09</u>

CONSOLIDATION STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(audited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		9,959	6,715
Intangible assets	10	8,095	13,854
Goodwill	11	7,534	7,534
Other financial assets	12	7,407	5,000
Loan to ultimate holding company	15	8,869	–
Deposits for acquisition of properties		10,498	–
Guarantee deposits		3,901	4,671
Deferred tax assets		8,500	7,160
		64,763	44,934
Current assets			
Inventories	13	15,812	9,729
Trade and other receivables	14	79,813	89,794
Contract assets	16	24,679	21,623
Prepayments		14,273	10,748
Pledged bank deposits		–	3,372
Fixed bank deposits		4,536	4,316
Cash and cash equivalents		96,189	116,075
		235,302	255,657
Current liabilities			
Trade and other payables	17	96,698	115,966
Contract liabilities	16	23,960	30,443
Lease liabilities		2,398	993
Bank borrowings	18	24,722	20,582
Tax payable		916	239
		148,694	168,223
Net current assets		86,608	87,434
Total assets less current liabilities		151,371	132,368

	<i>Notes</i>	2020 HK\$'000 (audited)	2019 <i>HK\$'000</i> (audited)
Non-current liabilities			
Lease liabilities		2,052	661
Bank borrowings	18	5,568	–
Defined benefit obligations		166	1,181
Deferred tax liabilities		217	378
		8,003	2,220
Net assets		143,368	130,148
EQUITY			
Share capital		4,000	4,000
Reserves		138,710	125,127
Equity attributable to owners of the Company		142,710	129,127
Non-controlling interests		658	1,021
Total equity		143,368	130,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 HK\$'000
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)	<u>4,000</u>	<u>35,718</u>	<u>13,855</u>	<u>3,674</u>	<u>(5,792)</u>	<u>1,995</u>	<u>75,677</u>	<u>129,127</u>	<u>1,021</u>	<u>130,148</u>
Balance at 1 January 2020 (audited)	4,000	35,718	13,855	3,674	(5,792)	1,995	75,677	129,127	1,021	130,148
Profit for the year	–	–	–	–	–	–	7,876	7,876	(363)	7,513
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	(826)	(826)	–	(826)
Exchange differences arising on translation of foreign operations	–	–	–	–	6,533	–	–	6,533	–	6,533
Total comprehensive income	–	–	–	–	6,533	–	7,050	13,583	(363)	13,220
Appropriation	–	–	–	–	–	495	(495)	–	–	–
Balance at 31 December 2020 (audited)	<u>4,000</u>	<u>35,718</u>	<u>13,855</u>	<u>3,674</u>	<u>741</u>	<u>2,490</u>	<u>82,232</u>	<u>142,710</u>	<u>658</u>	<u>143,368</u>

* 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 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Cash flows from operating activities		
Profit before income tax expense	9,027	4,261
Adjustments for:		
Bad debt expenses on write off of trade receivables	192	–
Amortisation of intangible assets	4,848	4,180
Depreciation of property, plant and equipment	4,695	5,761
Exchange gain	(2,763)	(586)
Finance costs	746	1,445
Net provision/(reversal) for impairment of inventories	1,919	(262)
Impairment of intangible assets	911	–
Interest income	(453)	(604)
Reversal of contingent consideration	–	(32)
Net loss/(gain) on disposal of property, plant and equipment	5	(60)
Fair value gain on other financial assets	(127)	(118)
Net (reversal of)/provision for impairment of trade receivables	(276)	7,637
<i>Operating profit before working capital changes</i>	18,724	21,622
Increase in inventories	(7,664)	(3,365)
Decrease in trade and other receivables	12,879	27,721
(Increase)/decrease in contract assets	(1,938)	1,232
Increase in prepayments	(2,894)	(4,285)
Decrease in trade and other payables	(21,495)	(58,408)
(Decrease)/increase in contract liabilities	(6,975)	19,186
Decrease in net defined benefit obligations	(2,058)	(1,822)
<i>Cash (used in)/generated from operations</i>	(11,421)	1,881
Income taxes paid	(1,364)	(6,034)
Income taxes refunded	1,161	108
Interest received	453	612
Net cash used in operating activities	(11,171)	(3,433)

	2020 <i>HK\$'000</i> (audited)	2019 <i>HK\$'000</i> (audited)
Cash flows from investing activities		
Net cash outflows from acquisition		
through business combination	–	(2,843)
Research and development expenditures	–	(2,854)
Purchases of property, plant and equipment	(1,825)	(1,519)
Deposits paid for acquisition of properties	(15,562)	–
Proceeds from deposits transferred upon disposal of properties	5,809	–
Purchases of other financial assets	(1,873)	(228)
Proceeds from disposal of property, plant and equipment	5	98
Decrease in fixed bank deposits	3,293	–
(Increase)/decrease in loan to/amount due from ultimate holding company	(8,239)	5,874
	<u>(18,392)</u>	<u>(1,472)</u>
<i>Net cash used in investing activities</i>		
Cash flows from financing activities		
Proceeds from bank borrowings	138,475	145,304
Repayments of bank borrowings	(130,431)	(146,834)
Interest paid	(746)	(1,445)
Repayments of principal portion of the lease liabilities	(2,171)	(1,941)
Dividends paid	–	(5,880)
	<u>5,127</u>	<u>(10,796)</u>
<i>Net cash generated from/(used in) financing activities</i>		
Net decrease in cash and cash equivalents	(24,436)	(15,701)
Cash and cash equivalents at beginning of year	116,075	136,134
Effect of exchange rate changes	4,550	(4,358)
	<u>96,189</u>	<u>116,075</u>
Cash and cash equivalents at end of year	<u><u>96,189</u></u>	<u><u>116,075</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>96,189</u></u>	<u><u>116,075</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares are listed on GEM of the Stock Exchange. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at 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, Mulla SKV1 Center, 10, Seonyu-ro9-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 2020, 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 or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period. None of these amended HKFRSs has a significant impact on the Group's results and financial position for the current or prior period.

(b) Revised HKFRSs that have been issued but are not yet effective

The following 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 HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Annual Improvements to HKFRSs 2018–2020 ²	Amendments to HKFRS 9, Illustrative Examples accompanying HKFRS 16

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual period beginning on or after 1 January 2023.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors of the Company is currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Directors of the Company do not anticipate that the application of the amendment in the future will have a significant impact on the consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020

Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Directors of the Company do not anticipate that the application of the amendments in the future will 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 HKICPA 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 as set out in note 12.

(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"), 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 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

For the year ended 31 December 2020

	System integration HK\$'000	Maintenance services HK\$'000	Cyber security services HK\$'000	Total HK\$'000
Total segment revenue	487,951	164,085	34,314	686,350
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>(7,297)</u>	<u>(7,297)</u>
Revenue from external customers	<u>487,951</u>	<u>164,085</u>	<u>27,017</u>	<u>679,053</u>
Gross profit/segment results	23,202	45,348	8,372	76,922
Other income				6,558
Selling and administrative expenses				(73,707)
Finance costs				<u>(746)</u>
Profit before income tax				9,027
Income tax expense				<u>(1,514)</u>
Profit for the year				<u>7,513</u>

For the year ended 31 December 2019

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

(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, loan to ultimate holding company, deposits for acquisition of properties, guarantee deposits and deferred tax assets ("specified non-current assets").

	Revenue from external customers (by customers location)		Specified non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	27,017	24,936	9,580	14,915
Korea	652,036	621,534	8,474	5,654
	679,053	646,470	18,054	20,569

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.

5. REVENUE

Revenue mainly 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 2020 was as follows:

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

	2020 HK\$'000	2019 HK\$'000
Revenue from customers and recognised over time		
– Contract revenue from provision of system integration	487,951	484,579
– Contract revenue from provision of maintenance services	164,085	136,955
– Contract revenue from provision of cyber security services	27,017	24,936
	679,053	646,470

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

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers:

	2020 HK\$'000	2019 HK\$'000
– Trade receivables (net of impairment) (note 14)	74,507	85,830
– Contract assets (net of impairment) (note 16(a))	24,679	21,623
– Contract liabilities (note 16(b))	23,960	30,443

(b) Disaggregation of revenue

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

	2020				2019			
	System integration HK\$'000	Maintenance services HK\$'000	Cyber security services HK\$'000	Total HK\$'000	System integration HK\$'000	Maintenance services HK\$'000	Cyber security services HK\$'000	Total HK\$'000
Type of goods or services								
– Cloud infrastructure	385,139	157,145	–	542,284	386,199	125,846	–	512,045
– Security	102,812	6,940	27,017	136,769	98,380	5,418	24,936	128,734
– Software license	–	–	–	–	–	5,691	–	5,691
Total revenue from contracts with customers	487,951	164,085	27,017	679,053	484,579	136,955	24,936	646,470
Type of customers								
– Public sector	232,564	98,381	–	330,945	201,286	75,765	–	277,051
– Private sector	255,387	65,704	27,017	348,108	283,293	61,190	24,936	369,419
Total revenue from contracts with customers	487,951	164,085	27,017	679,053	484,579	136,955	24,936	646,470
Contract duration								
– Within 12 months	464,926	137,041	21,103	623,070	482,773	104,886	20,892	608,551
– Over 12 months but less than 24 months	23,025	2,776	2,774	28,575	1,666	11,239	2,087	14,992
– Over 24 months	–	24,268	3,140	27,408	140	20,830	1,957	22,927
Total revenue from contracts with customers	487,951	164,085	27,017	679,053	484,579	136,955	24,936	646,470

(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:

	2020 HK\$'000	2019 HK\$'000
Provision of system integration	58,391	86,931
Provision of maintenance services	88,877	70,697
Provision of cyber security services	18,856	17,520
	166,124	175,148

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\$166,124,000 (2019: HK\$175,148,000) allocated to the contracts under system integration, maintenance services and cyber security services as at 31 December 2020 will be recognised as revenue on or before 31 August 2023 (2019: on or before 31 January 2023).

6. PROFIT BEFORE INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Carrying amount of inventories sold	514,261	487,068
Net provision/(reversal) for impairment of inventories (<i>note i</i>)	1,919	(262)
Costs of inventories recognised as expenses	516,180	486,806
Employee costs	98,812	94,907
Depreciation charge:		
– Owned property, plant and equipment	2,338	3,347
– Right-of-use assets	2,357	2,414
	4,695	5,761
Amortisation of intangible assets	4,848	4,180
Auditor's remuneration	1,028	1,100
Research and development costs (<i>note ii</i>)	5,146	2,824
Subcontracting costs	27,320	38,229
Bad debt expenses on write off of trade receivables	192	–
(Reversal)/provision for impairment of trade receivables	(276)	7,637
Impairment on intangible assets	911	–
Interest on lease liabilities	83	71
Net loss on disposal of other financial assets	11	12
Net (gain)/loss on foreign exchange	(2,763)	590
Net loss/(gain) on disposal of property, plant and equipment	5	(60)
Fair value gain on other financial assets	(127)	(118)
Reversal of contingent consideration	–	(32)
Reversal of provision for litigation claims (<i>note iii</i>)	–	(3,256)
Short term leases expenses	645	407
Low-value assets leases expenses	32	23

Notes:

- (i) Write down of HK\$262,000 made in prior year against the carrying value of inventories have been reversed. This reversal arose due to an increase in the estimated net realisable value of certain inventories as a result of a change in consumer preferences.
- (ii) Research and development costs included employee costs of approximately HK\$2,897,000 (2019: HK\$2,824,000) as disclosed above.
- (iii) Reversal of provision for litigation claims for the year ended 31 December 2019 arose due to the litigation was settled in the year.

7. INCOME TAX EXPENSE

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

	2020 HK\$'000	2019 HK\$'000
Current tax		
– Korea	2,339	1,151
Deferred tax		
– Korea	(146)	(757)
– Hong Kong	(679)	(174)
	<u>(825)</u>	<u>(931)</u>
Income tax expense	<u><u>1,514</u></u>	<u><u>220</u></u>

Global Telecom Company Limited (“**Global Telecom**”) is subject to Korean Corporate Income Tax which comprised national and local taxes (collectively “**Korean Corporate Income Tax**”). Korean Corporate Income Tax is charged at the progressive rate from 11% to 24.2% on the estimated assessable profit of Global Telecom derived worldwide during the year ended 31 December 2020. The Korean Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2020 are as follows:

- 11% on assessable profit up to the first KRW200 million (equivalent to approximately HK\$1.3 million for the year ended 31 December 2020 (2019: KRW200 million (equivalent to approximately HK\$1.3 million)));
- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK\$1.3 million) for the year ended 31 December 2020 (2019: KRW200 million (equivalent to approximately HK\$1.3 million)) and up to KRW20 billion (equivalent to approximately HK\$131.7 million) for the year ended 31 December 2020 (2019: KRW20 billion (equivalent to approximately HK\$134.7 million)); and
- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK\$131.7 million for the year ended 31 December 2020 (2019: KRW20 billion (equivalent to approximately HK\$134.7 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 the subsidiary operating in Hong Kong which does 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax	9,027	4,261
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	2,358	975
Tax effect of expenses not deductible for tax purposes	2,076	2,506
Withholding tax on dividend declared by a subsidiary	792	–
Tax credit	(3,713)	(2,801)
Others	1	(460)
Income tax expense for the year	1,514	220

8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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 years ended 31 December 2020 and 2019.

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	7,876	4,373
	2020 <i>Number '000</i>	2019 <i>Number '000</i>
Number of shares		
Weighted average number of ordinary shares	400,000	400,000

Weighted average of 400,000,000 shares for the years ended 31 December 2020 and 2019 represent the number of shares in issue throughout the respective years.

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 2020 and 2019.

10. INTANGIBLE ASSETS

	Reacquired right of software HK\$'000	Software platforms HK\$'000 (note i)	Total HK\$'000
Cost:			
At 1 January 2019	–	16,503	16,503
Additions	–	2,854	2,854
Acquired through business combination	1,950	911	2,861
At 31 December 2019 and 2020	1,950	20,268	22,218
Accumulated amortisation:			
At 1 January 2019	–	4,184	4,184
Amortisation charge for the year	350	3,830	4,180
At 31 December 2019	350	8,014	8,364
Amortisation charge for the year	600	4,248	4,848
Impairment recognised for the year (note ii)	–	911	911
At 31 December 2020	950	13,173	14,123
Net carrying Amount			
At 31 December 2020	1,000	7,095	8,095
At 31 December 2019	1,600	12,254	13,854

Notes:

- (i) The software platforms acquired were for three distinct software platforms with cyber security, big data and internet of things (“IoT”) features.
- (ii) For the year ended 31 December 2020, an impairment loss of HK\$911,000 (note 6) was recognised, which represented a full write-down of the carrying amount of one of the acquired software platforms with IoT features as it is not expected that it will generate any future economic benefit. The impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income and included in selling and administrative expenses.

11. GOODWILL

	2020 HK\$'000	2019 HK\$'000
Net carrying amount		
At 1 January	7,534	–
Acquired through business combination	–	7,534
At 31 December	7,534	7,534

Impairment testing on goodwill

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

	2020 HK\$'000	2019 HK\$'000
Cyber security – Hong Kong	<u>7,534</u>	<u>7,534</u>

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. The discount rate, which is pre-tax and reflects specific risks relating to the CGU, applied to the cash flow projections is 13.52% (2019: 15.18%). Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2019: 3%), which does not exceed the long-term growth rate for the cyber security industry in Hong Kong.

As at 31 December 2020, the value in use of the CGU exceeded its carrying amount, and hence the goodwill and intangible assets (other than fully-impaired software platform with IoT features (note 10)) allocated to this CGU was not regarded as impaired.

12. OTHER FINANCIAL ASSETS – NON-CURRENT

	2020 HK\$'000	2019 HK\$'000
Financial assets measured at fair value through profit or loss		
– Unlisted equity securities (<i>note (a)</i>)	4,821	2,839
– Investment in insurance policy (<i>note (b)</i>)	<u>2,586</u>	<u>2,161</u>
	<u>7,407</u>	<u>5,000</u>

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

	2020 HK\$'000	2019 HK\$'000
Korea Software Financial Cooperative (“KSFC”)	4,779	2,799
Korea Broadcasting & Communication Financial Cooperative (“KBCFC”)	<u>42</u>	<u>40</u>
	<u>4,821</u>	<u>2,839</u>

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.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Description of guarantees which are related to projects of Global Telecom		
– Bidding guarantees	7,380	6,987
– Contract guarantees	130,638	105,989
– Defect guarantees	45,945	37,500
– Payment guarantees	78	–
– Prepayment guarantees	119,404	77,050
	<u>303,445</u>	<u>227,526</u>

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 based on historical experiences 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 2020 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 2020. 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 2020, no fixed bank deposit (2019: KRW500 million (equivalent to approximately HK\$3.4 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Surrender value as at 31 December	<u>2,586</u>	<u>2,161</u>
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 surrender 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 surrender 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Inventories		
– Hardware and software	<u>15,812</u>	<u>9,729</u>

14. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	95,078	106,064
Less: Provision for impairment	<u>(20,571)</u>	<u>(20,234)</u>
Trade receivables, net (<i>note (a)</i>)	74,507	85,830
Bills receivables	2,380	–
Short-term loans to employees (<i>note (b)</i>)	248	236
Accrued interest	140	39
Rental and other deposits	2,360	2,330
Other receivables	<u>178</u>	<u>1,359</u>
Total trade and other receivables	<u>79,813</u>	<u>89,794</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	72,315	81,594
91–180 days	1,558	930
181–365 days	516	2,577
1–2 years	118	643
Over 2 years	<u>–</u>	<u>86</u>
	<u>74,507</u>	<u>85,830</u>

- (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% (2019: 6.9%) per annum as at 31 December 2020 and repayable within one year from the respective dates of drawdown of loans.

15. LOAN TO ULTIMATE HOLDING COMPANY

Details of loan to ultimate holding company, AMS, are as follows:

As at 1 January 2020 HK\$'000	As at 31 December 2020 HK\$'000	Maximum outstanding amount during the year HK\$'000
–	8,869	8,869

Notes:

- (a) The loan to AMS is unsecured, interest bearing at 5% per annum and is repayable on 7 October 2022. The loan is denominated in United States Dollars ("US\$").
- (b) As at 31 December 2020, Mr. Suh Seung Hyun, Mr. Phung Nhuong Giang and Mr. Lee Seung Han who are executive directors of the Company are also controlling shareholders of AMS, and the loan to AMS constituted a connected transaction under Chapter 20 of the GEM Listing Rules.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 HK\$'000	2019 HK\$'000
Contract assets		
Arising from performance under system integration	22,137	19,232
Arising from performance under cyber security services	2,542	2,391
	24,679	21,623

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**

	2020 HK\$'000	2019 HK\$'000
Contract liabilities		
Billings in advance of performance under system integration	14,260	22,108
Billings in advance of performance under cyber security services	9,700	8,335
	<u>23,960</u>	<u>30,443</u>

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

	2020 HK\$'000	2019 HK\$'000
Movements in contract liabilities		
Balance as at 1 January	30,443	5,563
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(29,394)	(5,255)
Acquired through business combination	–	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 system integration and cyber security services	24,123	30,443
Exchange adjustment	(1,212)	(308)
	<u>23,960</u>	<u>30,443</u>

17. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	72,478	92,123
Accruals and other payables	20,965	16,334
Advance receipts	2,683	7,455
Value-added tax payables	572	54
	<u>96,698</u>	<u>115,966</u>

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:

	2020 HK\$'000	2019 HK\$'000
0–30 days	62,418	78,296
31–60 days	3,528	5,643
61–90 days	3,760	3,238
91–180 days	1,371	4,167
181–365 days	494	83
Over 1 year	907	696
	<u>72,478</u>	<u>92,123</u>

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

	2020 HK\$'000	2019 HK\$'000
Current – unsecured:		
– Bank loans (<i>note (a)</i>)	24,722	20,582
Non-current – unsecured:		
– Bank loans (<i>note (c)</i>)	<u>5,568</u>	<u>–</u>
Total borrowings	<u>30,290</u>	<u>20,582</u>

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2020			
Bank A	US\$311,624	3-month LIBOR plus 2.07% per annum	July 2021
Bank B	US\$477,413	3-month LIBOR plus 1.73% per annum	April 2021
Bank C	US\$703,382	KORIBOR base rate plus 1.30% per annum	September 2021
Bank D	US\$1,398,783	3-month LIBOR plus 0.5% per annum	April 2021
Bank E	US\$314,622	3-month LIBOR plus 2.0% per annum	November 2021
2019			
Bank A	US\$301,675	3-month LIBOR plus 1.80% per annum	July 2020
Bank B	US\$608,250	3-month LIBOR plus 1.58% per annum	April 2020
Bank C	US\$1,016,007	KORIBOR base rate plus 1.30% per annum	September 2020
Bank D	US\$709,984	3-month LIBOR plus 1.70% per annum	September 2020

- (b) As at 31 December 2020, 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\$288,000 and KRW400 million (2019: US\$320,000 and KRW400 million) for import financing facilities and bank loans provided to Global Telecom.
- (c) In accordance with the sales and purchase agreements of the acquisition of properties in Korea dated 14 May 2020, Global Telecom applied for loans from a financial institution designated by the vendor for the intermediate payments, and the interest on bank loans was borne by the vendor until the date of occupancy. The bank loans are denominated in KRW, interest bearing at 6-month COFIX plus 2.19% per annum, unsecured and due to be settled on or before 31 January 2023.

19. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Commitment for the acquisition of properties	<u>44,542</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000	Change HK\$'000	Change %
Revenue	679,053	646,470	32,583	5.0%
Cost of sales and services	<u>(602,131)</u>	<u>(559,441)</u>	42,690	7.6%
Gross profit	76,922	87,029	(10,107)	(11.6%)
Other income	6,558	4,974	1,584	31.8%
Selling and administrative expenses	(73,707)	(86,297)	(12,590)	(14.6%)
Finance costs	<u>(746)</u>	<u>(1,445)</u>	(699)	(48.4%)
Profit before income tax	9,027	4,261	4,766	111.9%
Income tax expense	<u>(1,514)</u>	<u>(220)</u>	1,294	588.2%
Profit for the year	<u>7,513</u>	<u>4,041</u>	3,472	85.9%

REVENUE

Despite the global economic environment challenge caused by viral of pandemic, the Directors are pleased to report that the Group recorded an increase in revenue by HK\$32.6 million or 5.0% to HK\$679.1 million for the year ended 31 December 2020 when compared to HK\$646.5 million achieved in the corresponding period in last year. Our analysis on revenue is presented below:

- The increase in revenue was due to contribution from both Korea and Hong Kong operations. Korea contributed HK\$652.0 million in revenue for the year ended 31 December 2020, which was HK\$30.5 million or 4.9% higher compared to HK\$621.5 million a year ago. During the year, Hong Kong operations contributed HK\$27.0 million, which was HK\$2.1 million or 8.3% higher compared to HK\$24.9 million a year ago.
- The Group recorded an increase in revenue on all segments. Compared to last year, revenue from system integration, maintenance services and cyber security services for the year ended 31 December 2020 increased by HK\$3.4 million, HK\$27.1 million and HK\$2.1 million respectively.
- Public sector contributed HK\$330.9 million, which was HK\$53.9 million or 19.5% growth while private sector contributed HK\$348.1 million, which was HK\$21.3 million decrease as compared to a year ago.

The increase in revenue has been driven by strong demand for online activities in Korea's market. Examples of contracts awarded during the year included contracts from:

- A media foundation amounting to KRW3.2 billion (equivalent to HK\$21.1 million)
- A finance corporation amounting to KRW2.6 billion (equivalent to HK\$17.1 million)
- A Korean bank amounting to KRW2.3 billion (equivalent to HK\$15.1 million)
- Korea's leading mobile operator amounting to KRW1.4 billion (equivalent to HK\$9.2 million)
- A Korean university amounting to KRW1.4 billion (equivalent to HK\$9.2 million)
- Korea's top search engine company amounting to KRW1.0 billion (equivalent to HK\$6.6 million)

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit shrank by approximately HK\$10.1 million from HK\$87.0 million for the year ended 31 December 2019 to HK\$76.9 million for the year ended 31 December 2020. In terms of gross profit margin, the ratio decreased by 2.2% from 13.5% in 2019 to 11.3% in 2020. The decrease resulted from the acceptance of low margin system integration projects with strategic customers.

OTHER INCOME

Other income increased by HK\$1.6 million or 31.8% to HK\$6.6 million for the year ended 31 December 2020 mainly attributable to the year-end foreign currencies' translation gain.

SELLING AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2020, the management team was able to lower selling and administrative expenses by HK\$12.6 million or 14.6% from HK\$86.3 million a year ago. The decrease was mainly attributable to impairment of trade receivables was not provided.

PROFIT FOR THE YEAR

Despite the lower gross profit, the Group's profit before income tax stood at HK\$9.0 million for the year ended 31 December 2020 which was HK\$4.8 million or 111.9% higher than corresponding year in 2019.

After a provision of HK\$1.5 million for tax expenses, the Group posted profit after tax for the year of HK\$7.5 million, representing HK\$3.5 million or 85.9% increase compared to a year ago. This profit is the highest record since the Company's shares were successfully listed in 2016 and constitutes the fifth consecutive profitable year.

STATEMENT OF FINANCIAL POSITION ANALYSIS

As at 31 December 2020

	2020 HK\$'000	2019 HK\$'000	Change HK\$'000	Change %
Property, plant and equipments	9,959	6,715	3,244	48.3%
Intangible assets	8,095	13,854	(5,759)	(41.6%)
Goodwill	7,534	7,534	–	0.0%
Other financial assets	7,407	5,000	2,407	48.1%
Loan to ultimate holding company	8,869	–	8,869	100.0%
Deposits for acquisition of properties	10,498	–	10,498	100.0%
Guarantee deposits	3,901	4,671	(770)	(16.5%)
Deferred tax assets	8,500	7,160	1,340	18.7%
Non-current assets	64,763	44,934	19,829	44.1%
Inventories	15,812	9,729	6,083	62.5%
Trade and other receivables	79,813	89,794	(9,981)	(11.1%)
Contract assets	24,679	21,623	3,056	14.1%
Prepayments	14,273	10,748	3,525	32.8%
Pledged fixed bank deposits	–	3,372	(3,372)	(100.0%)
Fixed bank deposits	4,536	4,316	220	5.1%
Cash and cash equivalents	96,189	116,075	(19,886)	(17.1%)
Current assets	235,302	255,657	(20,355)	(8.0%)
Trade and other payables	96,698	115,966	(19,268)	(16.6%)
Contract liabilities	23,960	30,443	(6,483)	(21.3%)
Lease liabilities	2,398	993	1,405	141.5%
Bank borrowings	24,722	20,582	4,140	20.1%
Tax payable	916	239	677	283.3%
Current liabilities	148,694	168,223	(19,529)	(11.6%)
Lease liabilities	2,052	661	1,391	210.4%
Long-term bank borrowings	5,568	–	5,568	100.0%
Defined benefit obligations	166	1,181	(1,015)	(85.9%)
Deferred tax liabilities	217	378	(161)	(42.6%)
Non-current liabilities	8,003	2,220	5,783	260.5%
Net assets	143,368	130,148	13,220	10.2%

NON-CURRENT ASSETS

As at 31 December 2020, the Group recorded non-current assets of HK\$64.8 million representing an increase of approximately HK\$19.8 million or 44.1% when compared to that as at 31 December 2019. This was mainly due to additions of a loan to ultimate holding company and deposits for acquisition of properties. Details of these transactions were disclosed in the Company's announcements dated 7 July 2020, 10 August 2020 and 15 October 2020 respectively and circular dated 13 November 2020.

CURRENT ASSETS

As at 31 December 2020, the Group recorded HK\$235.3 million in current asset which was HK\$20.4 million lower than that as at 31 December 2019 of HK\$255.7 million. This resulted from a combination of decrease in trade and other receivables and decrease in cash and cash equivalents.

The Group's cash position stood at HK\$96.2 million as at 31 December 2020. Cash to current liabilities ratio decreased slightly from 69.0% in 2019 to 64.7% in 2020. The ratio representing the Group has strong ability to settle its current liabilities obligation when they become due.

CURRENT LIABILITIES

The Group's current liabilities decreased by approximately HK\$19.5 million from HK\$168.2 million as at 31 December 2019 to HK\$148.7 million as at 31 December 2020. The decrease was due to a decrease in trade and other payables by HK\$19.3 million.

NON-CURRENT LIABILITIES

The Group's non-current liabilities significantly increased by HK\$5.8 million or 260.5% was mainly attributable to bank borrowings granted to the Group for the payment of deposits for acquisition of properties as mentioned in non-current assets section.

NET ASSETS

The Group's net assets stood at HK\$143.4 million as at 31 December 2020 which was HK\$13.2 million higher than HK\$130.1 million as at 31 December 2019.

The Group recorded an exchange gain arising on translation of foreign operations of approximately HK\$6.5 million due to favourable exchange rate change of KRW against US\$ in the second half of 2020. As a result, total comprehensive income of the Group stood at HK\$13.2 million.

STATEMENT OF CASH FLOWS ANALYSIS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000	Change HK\$'000	Change %
Profit before income tax expenses	9,027	4,261	4,766	111.9%
Total adjustments for operating activities	<u>9,505</u>	<u>17,361</u>	(7,856)	(45.3%)
Operating profit before working capital changes	18,532	21,622	(3,090)	(14.3%)
Changes on:				
– Inventories	(7,664)	(3,365)	4,299	127.8%
– Trade and other receivables	13,071	27,721	(14,650)	(52.8%)
– Contract assets	(1,938)	1,232	(3,170)	(257.3%)
– Prepayments	(2,894)	(4,285)	(1,391)	(32.5%)
– Trade and other payables	(21,495)	(58,408)	(36,913)	(63.2%)
– Contract liabilities	(6,975)	19,186	(26,161)	(136.4%)
– Defined benefit obligations	<u>(2,058)</u>	<u>(1,822)</u>	236	13.0%
Cash generated from operations	(11,421)	1,881	(13,302)	(707.2%)
Income taxes paid	(1,364)	(6,034)	(4,670)	(77.4%)
Income taxes refunded	1,161	108	1,053	975.0%
Interest received	<u>453</u>	<u>612</u>	(159)	(26.0%)
Net cash used in operating activities	<u>(11,171)</u>	<u>(3,433)</u>	7,738	225.4%
Net cash outflows from acquisition through business combination	–	(2,843)	(2,843)	(100.0%)
Research and development expenditures	–	(2,854)	(2,854)	(100.0%)
Purchases of property, plant and equipment	(1,825)	(1,519)	306	20.1%
Deposits paid for acquisition of properties	(15,562)	–	(15,562)	(100.0%)
Proceeds from deposits transferred upon disposals of properties	5,809	–	5,809	100.0%
Purchases of other financial assets	(1,873)	(228)	1,645	721.5%
Proceeds from disposal of property, plant and equipment	5	98	(93)	(94.9%)
Decrease in fixed bank deposits	3,293	–	3,293	100.0%
(Increase)/decrease in loan to/amount due from ultimate holding company	<u>(8,239)</u>	<u>5,874</u>	(14,113)	(240.3%)
Net cash used in investing activities	<u>(18,392)</u>	<u>(1,472)</u>	16,920	1149.5%

	2020 HK\$'000	2019 HK\$'000	Change HK\$'000	Change %
Proceeds from bank borrowings	138,475	145,304	(6,829)	(4.7%)
Repayments of bank borrowings	(130,431)	(146,834)	(16,403)	(11.2%)
Interest paid	(746)	(1,445)	(699)	(48.4%)
Repayments of principal portion of the lease liabilities	(2,171)	(1,941)	230	11.8%
Dividend paid	—	(5,880)	(5,880)	(100.0%)
Net cash generated from/(used in) financing activities	5,127	(10,796)	(15,923)	(147.5%)
Net increase in cash and cash equivalents	(24,436)	(15,701)	8,735	55.6%
Cash and cash equivalents at beginning of year	116,075	136,134	(20,059)	(14.7%)
Effect of exchange rate changes	4,550	(4,358)	(8,908)	(204.4%)
Cash and cash equivalents at end of year	96,189	116,075	(19,886)	(17.1%)

CASH FLOWS FROM OPERATING ACTIVITIES

The Group generated HK\$18.5 million positive cash flows from operating activities before working capital changes and income tax paid in 2020, which is HK\$3.1 million lower than that in 2019. After changes in working capital and income tax paid, cash outflows of HK\$11.2 million was recorded.

Cash flows used in operating activities increased by HK\$7.7 million from HK\$3.4 million for the year ended 31 December 2019 to HK\$11.2 million for the year ended 31 December 2020. The increase was mainly due to the cash used in settlement of trade and other payables has exceeded the cash generated from the collection of trade and other receivables during the year in 2020.

CASH FLOWS FROM INVESTING ACTIVITIES

The Group's net cash outflow from investing activities rebounded to HK\$18.4 million in 2020 from HK\$1.5 million in 2019. The substantial increase is due to payments of deposits paid for acquisition of properties and a loan facility granted to ultimate holding company.

CASH FLOWS FROM FINANCING ACTIVITIES

The Group recorded net cash inflow from financing activities of HK\$5.1 million for the year ended 31 December 2020 resulting from proceeds from bank borrowings exceeded repayments of bank borrowings, reversing a net cash outflow of HK\$10.8 million in 2019.

As a result, the Group incurred a net decrease in cash and cash equivalents of HK\$24.4 million for the year ended 31 December 2020. Mitigated by favourable exchange rate change of KRW against HK\$, the Group's cash and cash equivalents decreased by HK\$19.9 million or 17.1% to approximately HK\$96.2 million as at 31 December 2020 compared to that of 2019.

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2020, the Group's net current assets of HK\$86.6 million indicated a strong liquidity. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 1.6 times (as at 31 December 2019: 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 2020, the gearing ratio increased to 21.1% (as at 31 December 2019: 17.1%). The Group had variable rate bank borrowings in US\$ and KRW of approximately US\$3.2 million and KRW785.5 million respectively, which were equivalent to approximately HK\$30.3 million (as at 31 December 2019: approximately HK\$20.6 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 2020, the Group recorded cash and cash equivalents of approximately HK\$96.2 million (as at 31 December 2019: approximately HK\$116.1 million), which included approximately KRW11,978 million, HK\$4.2 million, US\$0.9 million and small amount of Singapore Dollars.

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

Foreign Exchange Exposure

The Group's business in Korea was exposed to currency risk that mainly arose from the currency difference between our revenue receipts (which are denominated in KRW) and some of our payments for purchases (which are in US\$). In preparing the costing of our system integration project in which procurement of components in US\$ is required, we would add on a margin to the relevant cost items of the project as a cushion to safeguard against any unfavourable foreign exchange movement in KRW against US\$ between the costing date and the relevant settlement date. During the year of 2020, we experienced an unfavourable foreign exchange movement in the Korean operation, and hence, recorded an increase in cost of goods sold.

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

Charges on Group's Assets

None of the Group's assets were charged as at 31 December 2020 after the fixed deposits pledged with KSFC for bidding, contract, defect, prepayment and payment guarantees provided by KSFC on behalf of the Group were released in June 2020.

Material Investments and Capital Assets

On 14 May 2020, Global Telecom entered into seventeen agreements with Korea Trust Company Limited, SK D&D Company Limited and Taeyoung Engineering and Construction Company Limited to purchase seventeen properties. Details of these transactions were disclosed in the Company's announcements dated 7 July 2020 and 10 August 2020 and circular dated 13 November 2020.

The Group did not have other material investments and capital assets for the year ended 31 December 2020.

As at 31 December 2020, the carrying amount of the Group's unlisted equity securities accounted for approximately 1.6% 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 2020 as well.

Significant Acquisitions and Disposals

As aforementioned, our wholly-owned Korean subsidiary, Global Telecom, purchased seventeen properties in Seoul. On 8 December 2020, Global Telecom disposed six properties out of these seventeen properties. Each of LeeHanNS Co., Ltd. and i-Cloud Co, Ltd. purchased three properties at a consideration of KRW473,960,000 and KRW461,586,000 respectively. Details of these transactions were disclosed in the Company's announcement dated 8 December 2020 and circular dated 25 January 2021.

Save for the abovesaid purchase of properties made on 14 May 2020 and disposal of properties made on 8 December 2020, the Group had not made any significant acquisition or disposal for the year ended 31 December 2020.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2020.

Capital Commitment

As at 31 December 2020, the Group has outstanding capital commitments of KRW6,284,080,000 (equivalent to approximately HK\$44.5 million) mainly related to the agreements entered for properties purchase in Korea which is not provided for in the Group's financial statements.

Business Review

	<i>HK\$'000</i>
Opening backlog as at 1 January 2020	104,451
New booking during the year	740,726
Revenue recognised during the year	<u>679,053</u>
Closing backlog as at 31 December 2020	<u><u>166,124</u></u>

Majority of the Group's revenue was derived from the provision of system integration solution services. Revenue from this segment increased by HK\$3.4 million or 0.7% to HK\$488.0 million for the year ended 31 December 2020 when compared to HK\$484.6 million for the year ended 31 December 2019. The major customers included Korea's leading mobile operator, financial institutions and messaging app company.

Following the increase in system integration projects, it drove higher demand for maintenance services and an increase in revenue by HK\$27.1 million to HK\$164.1 million for the year ended 31 December 2020.

Cyber security services business was carried out by subsidiaries in Hong Kong. Even affected by containment measure, revenue from this segment continuously increased by HK\$2.1 million or 8.3% from HK\$24.9 million for the year ended 31 December 2019 to HK\$27.0 million for the year ended 31 December 2020 while the backlog of this segment as at year-end date was approximately HK\$18.9 million.

Key performance indicators

	2020	2019	Change
	<i>KRW'million</i>	<i>KRW'million</i>	%
Average productivity per operating staff – Korea	739/employee	863/employee	– 14.4%
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Average productivity per operating staff – Hong Kong	1,501/employee	1,425/employee	+5.3%
	<i>KRW'million</i>	<i>KRW'million</i>	%
Average contract price for system integration project	102	94	+8.5%
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Number of new system integration projects awarded	511	867	-356

Under the pressure of economic downturn in 2020, the Group has accepted low profit margin system integration projects with strategic customers to gain higher market share. As a result, the Group awarded projects with higher average contract price. Meanwhile, the Group employed more engineers to accommodate contracts awarded which lower average productivity of each operating staff.

Prospects

The Directors are pleased to report that the Group has recorded profit for the year of approximately HK\$7.5 million during the challenging period in 2020. This is the greatest performance since the Company has successfully listed its share in 2016.

Given the worldwide economic recovery is expected in light of the successful vaccine rollout, we are looking forward to another profitable fiscal year in 2021, barring any unforeseen circumstances.

Employees and Remuneration Policy

As at 31 December 2020, the Group had an aggregate of 220 (31 December 2019: 189) employees. Such increase represented the recruitment of more engineers deploying sizable projects in Korea.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. The total employee costs, including Directors' emoluments, amounted to approximately HK\$98.8 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$94.9 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. As at 31 December 2020, no share option had been granted.

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

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 “**Shareholders**”) and to enhance the corporate value, accountability and transparency of the Company.

The Company's corporate governance framework has been in place 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 2020, 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 2020, 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 2020 (2019: Nil).

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 2020 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Friday, 7 May 2021 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

For attending and voting at the AGM

The register of members of the Company will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021 (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, 3 May 2021.

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 2020, 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 2020.

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, 22 March 2021

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.