FUTURE DATA

FUTURE DATA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8229

ANNUAL REPORT 2021

SUSTAINABILITY GROWTH

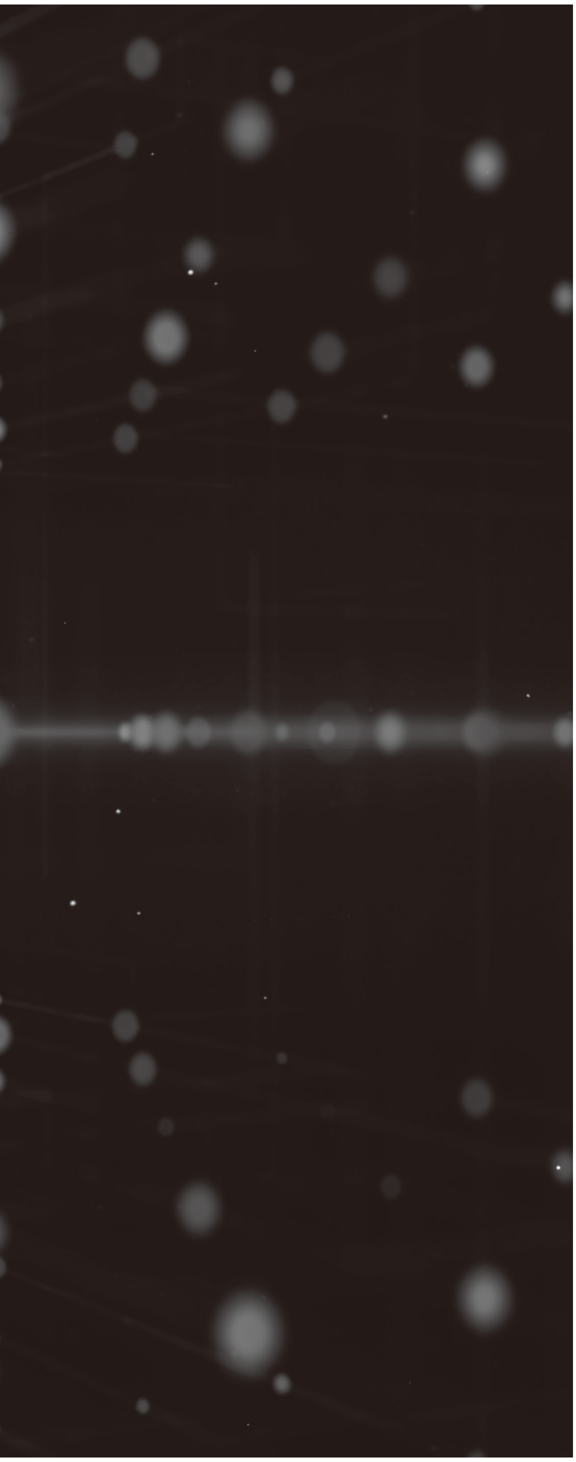
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 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 report, 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 report.

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



CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	16
Corporate Governance Report	22
Report of the Directors	36
Independent Auditor's Report	50
Consolidated Statement of Comprehensive Income	56
Consolidated Statement of Financial Position	57
Consolidated Statement of Changes in Equity	59
Consolidated Statement of Cash Flows	60
Notes to the Consolidated Financial Statements	62
Summary of Financial Information	150

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Wong Sik Kei
Mr. Sum Chun Ho
Mr. Yung Kai Tai

BOARD COMMITTEES

Audit Committee

Mr. Sum Chun Ho *(Chairman)*
Mr. Wong Sik Kei
Mr. Yung Kai Tai

Remuneration Committee

Mr. Wong Sik Kei *(Chairman)*
Mr. Sum Chun Ho
Mr. Yung Kai Tai

Nomination Committee

Mr. Yung Kai Tai *(Chairman)*
Mr. Sum Chun Ho
Mr. Wong Sik Kei

COMPLIANCE OFFICER

Mr. Lee Seung Han

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN KOREA

Unit 801–809, 822
Mullae SK V1 Center
10, Seonyu-ro 9-gil
Yeongdeungpo-gu
Seoul
Korea

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUTHORISED REPRESENTATIVES

Mr. Phung Nhuong Giang
Ms. Cheung Yuet Fan

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Giraffe Capital Limited
3/F, 8 Wyndham Street
Central, Hong Kong

CORPORATE
INFORMATION

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong law:
Michael Li & Co.
Solicitors, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

As to Korean law:
Shin & Kim
Attorneys-at-law, Korea
23/F, D-Tower (D2)
17 Jongno 3-gil,
Jongno-gu,
Seoul 03155
Korea

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1507–08, 15/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

Woori Bank
51, Sogong-ro
Jung-gu
Seoul, 04632
Korea

COMPANY WEBSITE ADDRESS

www.futuredatagroup.com

STOCK CODE

8229

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to inform you that Future Data Group Limited (the "Group") has achieved the 6th consecutive year of profitability after being listed on GEM of the Stock Exchange of Hong Kong in 2016, by delivering HK$8.7 million of profit after tax for the fiscal year ended 31 December 2021.

Here is my report of the Group's financials for 2021:

The business environment where the Group operates was challenging due to the prolonged global viral pandemic. In this challenging environment, the Group has decided to cut non-productive costs where possible including headquarters; and to increase higher margin maintenance services. Our results reflected the adoption of these strategies.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2021, the Group generated revenue of approximately HK$720.6 million, which represented an increase of HK$41.5 million or 6.1% compared to the corresponding period in the previous year. Thanks to contribution from both Korea and Hong Kong operations. Especially, Hong Kong operations saw a 29.6% surge in revenue in 2021.

Our gross margin increased by 0.4 percentage point to 11.7% to in 2021 to 11.3% in the prior year. Thanks to higher margin earned from maintenance services. Meanwhile, SG&A expense expressed as a percentage of revenue reduced by 0.9 percentage point to 10.1% from 10.9% in the year before. This shows our ability to control costs while maintaining market share. As a result of higher gross profit margin while operate at lower SG&A expenses, our Group profit before income tax increases by 74.0% relative to revenue to HK$15.7 million for the year ended 31 December 2021, from HK$9.0 million a year ago.

The Group's profit after tax increased by 15.7% to HK$8.7 million for the year ended 31 December 2021 as compared to HK$7.5 million a year ago. This translates to earnings per share attributable to the owners of the Company to HK cents 1.81 in 2021 versus HK cents 1.97 in 2020 (total number of shares is unchanged at 400 million).

We have added HK$54.0 million to the Group's total assets, making to stand at approximately HK$354.1 million as at 31 December 2021. Of this increase in total assets, the cash and cash equivalents were HK$26.9 million higher, as we recorded HK$123.1 million of cash and cash equivalent as at 31 December 2021.

The Group's net assets stood at HK$142.0 million as at 31 December 2021, which is HK$1.3 million lower a year ago due to exchange differences arising from translation of our foreign operations. Of the net assets, 86.7% is cash and cash equivalents.

Our operations generated more than HK$22.5 million of positive cash flow from operating activities before working capital changes and income tax paid. This amount is slightly higher than HK$18.7 million to that of 2020, resulting in the Group's accumulative cash flow from operating activities before working capital changes and income tax paid for the past 2 years was more than HK$41.3 million, showing impressive free cash flow and indicating our financial strength to support business expansion beyond the Korea and Hong Kong markets using internal financial resources.

Taking into account working capital changes, income tax paid, net cash used from investing and financing activities, our cash and cash equivalents increased by HK$26.9 million, and stood at HK$123.1 million or cash per share of approximately HK cents 30.8 as at 31 December 2021.

Below are other notable highlights for 2021:

- HK$57.2 million contract from a search engine operator
- HK$46.3 million contract from a computer programming service provider
- HK$38.2 million contract from government
- The revenue from Hong Kong business reached HK$35.0 million, a consecutive growth since we have developed our business outside Korea
- The Group welcomes our new executive Director to the Board, Mr. Tao Guolin, who has joined us on 25 August 2021. We look forward to gaining Tao's business contribution to penetrate into the China market.

As I write this report to you, our valued shareholders, the viral pandemic is still happening and Russia is invading Ukraine in a no provoked war. We shall continue to see disruption to the business supply chain, travel restrictions and business meeting cancellations and hence this will have impact to our business in the first half of 2022. However, in these challenging months, we also see opportunities related to the nature of our business which are to deliver more capacity to support higher demand for online businesses; and to protect online transactions. As such, we anticipate a recovery in the second half of 2022, as we have done before in our previous years.

On behalf of the Board, I would like to express my gratitude to our management team and staff members for their continued support and contribution to the Group during this past year and I am looking forward to a 7th consecutive profitable year in 2022.

Suh Seung Hyun
Chairman

24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT OF PROFIT OR LOSS ANALYSIS

For the year ended 31 December

	2021 HK$'000	2020 HK$'000	Change HK$'000	Change %
Revenue	**720,569**	679,053	41,516	6.1%
Cost of services	**(636,281)**	(602,131)	34,150	5.7%
Gross profit	**84,288**	76,922	7,366	9.6%
Other income	**2,484**	6,558	(4,074)	(62.1%)
Reversal of impairment losses of trade and bills receivables, net	**2,262**	276	1,986	719.6%
Selling and administrative expenses	**(72,522)**	(73,983)	(1,461)	(2.0%)
Finance costs	**(808)**	(746)	62	8.3%
Profit before income tax	**15,704**	9,027	6,677	74.0%
Income tax expense	**(7,014)**	(1,514)	5,500	363.3%
Profit for the year	**8,690**	7,513	1,177	15.7%

The Group recorded a growth in revenue by HK$41.5 million or 6.1% to HK$720.6 million and profit increased by HK$1.2 million or 15.7% to HK$8.7 million for the year ended 31 December 2021.

REVENUE

An analysis of the Group's revenue is presented below:

- Korea and Hong Kong operations were expanding during the year ended 31 December 2021. Korea contributed HK$685.5 million in revenue for the year ended 31 December 2021, surging by HK$33.5 million or 5.1% compared to HK$652.0 million a year ago. Business in Hong Kong contributed HK$35.0 million in revenue for the year ended 31 December 2021 which was HK$8.0 million or 29.6% higher when compared to HK$27.0 million a year ago.
- All segments' revenue recorded a growth for the year ended 31 December 2021. Revenue from system integration, maintenance services and cyber security services were HK$505.9 million, HK$179.7 million and HK$35.0 million respectively, which accounted for 70.2%, 24.9% and 4.9% of the Group's revenue for the year ended 31 December 2021 (for the year ended 31 December 2020: 71.9%, 24.2% and 3.9%).
- For the year ended 31 December 2021, public sector contributed HK$287.2 million, a decrease by HK$43.7 million or 13.2%, compared to a year ago while private sector contributed HK$433.3 million, an increase by HK$85.2 million or 24.5% compared to a year ago.

The increase in revenue has been driven by strong demand for online activities in Korea market. Major contracts awarded during the year included contracts from a search engine operator amounting to KRW8.4 billion (equivalent to HK$57.2 million), a computer programming service amounting to KRW6.8 billion (equivalent to HK$46.3 million) and government department amounting to KRW5.6 billion (equivalent to HK$38.2 million).

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by HK$7.4 million or 9.6% from HK$76.9 million for the year ended 31 December 2020 to HK$84.3 million for the year ended 31 December 2021. In terms of gross profit margin, the margin was relatively stable and increased slightly by 0.4 percentage points to 11.7% for the year ended 31 December 2021.

OTHER INCOME

Without foreign currencies' retranslation gains and government grants, other income decreased by HK$4.1 million or 62.1% to HK$2.5 million for the year ended 31 December 2021.

SELLING AND ADMINISTRATIVE EXPENSES

The Group posted a selling and administrative expenses of HK$72.5 million for the year ended 31 December 2021 which was comparable to the amount of HK$74.0 million a year ago. The slight decrease was attributable to the effective cost control of the Group.

PROFIT BEFORE INCOME TAX AND PROFIT FOR THE YEAR

The Group posted a profit before income tax of HK$15.7 million for the year ended 31 December 2021 representing a 74.0% increase compared to a year ago, which was the highest record since the Company's shares have been successfully listed on GEM of the Stock Exchange in 2016. The increase was mainly attributable to the growth of gross profit in 2021.

After a provision of HK$7.0 million for tax expenses, the Group posted profit after tax for the year of HK$8.7 million in 2021, representing HK$1.2 million or 15.7% growth compared to a year ago. This is a momentum of the Group to break the track record profits and constitute the sixth consecutive profitable year.

The additional Korea Corporate Income Tax in prior years of HK$3,245,000 arose from the difference in the applied tax credit rate on social insurance premiums for small and medium enterprises in Korea by Global Telecom for the years of 2019 and 2020 which was reviewed and approved by the Korea tax authority during the current year. Under the Korea Corporate Income Tax rules, the eligible tax credit rate on social insurance premiums applied to Global Telecom ranged from 9.8% to 10.3% in the years of 2019 and 2020. The tax credit rate applied to Global Telecom depends on the combination of a variety elements (e.g. national health insurance and pension, employment insurance and industrial accident compensation) and the final determination on the deductibility by the Korea tax authority.

STATEMENT OF FINANCIAL POSITION ANALYSIS

As at 31 December

	2021 HK$'000	2020 HK$'000	Change HK$'000	Change %
Property, plant and equipments	7,342	9,959	(2,617)	(26.3%)
Intangible assets	4,090	8,095	(4,005)	(49.5%)
Goodwill	7,534	7,534	–	0.0%
Other financial assets	4,554	7,407	(2,853)	(38.5%)
Long-term loan to ultimate holding company	–	8,869	(8,869)	(100.0%)
Deposits for acquisition of investment properties	19,420	10,498	8,922	85.0%
Rental and other deposits	1,451	3,901	(2,450)	(62.8%)
Prepayments	3,842	–	3,842	100.0%
Deferred tax assets	7,092	8,500	(1,408)	(16.6%)
Non-current assets	55,325	64,763	(9,438)	(14.6%)
Inventories	13,982	15,812	(1,830)	(11.6%)
Trade and other receivables	110,156	79,813	30,343	38.0%
Contract assets	28,482	24,679	3,803	15.4%
Prepayments	13,020	14,273	(1,253)	(8.8%)
Loan to ultimate holding company	5,829	–	5,829	100.0%
Fixed bank deposits	4,196	4,536	(340)	(7.5%)
Cash and cash equivalents	123,088	96,189	26,899	28.0%
Current assets	298,753	235,302	63,451	27.0%
Trade and other payables	84,085	96,698	(12,613)	(13.0%)
Contract liabilities	34,120	23,960	10,160	42.4%
Lease liabilities	2,236	2,398	(162)	(6.8%)
Bank borrowings	68,383	24,722	43,661	176.6%
Tax payable	1,583	916	667	72.8%
Current liabilities	190,407	148,694	41,713	28.1%
Lease liabilities	858	2,052	(1,194)	(58.2%)
Long-term bank borrowings	15,449	5,568	9,881	177.5%
Loan from a shareholder	5,000	–	5,000	100.0%
Defined benefit obligations	327	166	161	97.0%
Deferred tax liabilities	–	217	(217)	(100.0%)
Non-current liabilities	21,634	8,003	13,631	170.3%
Net assets	142,037	143,368	(1,331)	(0.9%)

NON-CURRENT ASSETS

As at 31 December 2021, the Group recorded non-current assets of HK$55.3 million representing a decrease of approximately HK$9.4 million or 14.6% when compared to that as at 31 December 2020. This was mainly due to a loan to ultimate holding company subsequently reclassified as current assets and intangible assets were amortised along its useful life.

During 2021, the Korea subsidiary made additional amounts of intermediate payments with aggregate amount of KRW1,481,115,000 (equivalent to approximately HK$10,043,000), which were financed by bank borrowings.

CURRENT ASSETS

As at 31 December 2021, the Group recorded HK$298.8 million in current assets which was HK$63.5 million higher than that as at 31 December 2020 of HK$235.3 million. This resulted from increase in trade and other receivables and cash and cash equivalents to HK$110.2 million and HK$123.1 million respectively.

The Group's cash position stood at HK$123.1 million as at 31 December 2021. Cash to current liabilities ratio remain unchanged and stood at 64.6% in 2021. The ratio indicated that the Group has strong ability to settle its current liabilities.

CURRENT LIABILITIES

The Group's current liabilities increased by approximately HK$41.7 million or 28.1% from HK$148.7 million as at 31 December 2020 to HK$190.4 million as at 31 December 2021. The increase was due to significantly increase in bank borrowings by HK$43.7 million or 176.6% when compared to a year ago.

NON-CURRENT LIABILITIES

The Group's non-current liabilities hiked by HK$13.6 million or 170.3% and was mainly attributable to bank borrowings provided to the Group for the payment of deposits for acquisition of investment properties as mentioned before in non-current assets section and a loan from a shareholder.

NET ASSETS

The Group's net assets stood at HK$142.0 million as at 31 December 2021 which was comparable to the balance of HK$143.4 million as at 31 December 2020.

STATEMENT OF CASH FLOWS ANALYSIS

For the year ended 31 December

	2021 HK$'000	2020 HK$'000	Change HK$'000	Change %
Profit before income tax expenses	**15,704**	9,027	6,677	74.0%
Total adjustments	**6,834**	9,708	(2,874)	(29.6%)
Operating profit before working capital changes	**22,538**	18,735	3,803	20.3%
Changes on:				
– Inventories	**128**	(7,664)	(7,792)	(101.7%)
– Trade and other receivables	**(34,339)**	12,879	(47,218)	(366.6%)
– Contract assets	**(4,673)**	(1,938)	2,735	141.1%
– Prepayments	**(3,467)**	(2,894)	573	19.8%
– Trade and other payables	**(1,466)**	(21,495)	(20,029)	(93.2%)
– Contract liabilities	**11,574**	(6,975)	(18,549)	(265.9%)
– Defined benefit obligations	**(5,034)**	(2,058)	2,976	144.6%
Cash used in operations	**(14,739)**	(11,410)	3,329	29.2%
Income taxes paid	**(4,737)**	(1,364)	3,373	247.3%
Income taxes refunded	**–**	1,161	(1,161)	(100.0%)
Interest received	**262**	453	(191)	(42.2%)
Net cash used in operating activities	**(19,214)**	(11,160)	8,054	72.2%
Purchases of property, plant and equipment	**(1,085)**	(1,825)	(740)	(40.5%)
Deposits paid for acquisition of properties	**(10,043)**	(15,562)	(5,519)	(35.5%)
Proceeds from deposits transferred upon disposals of properties	**–**	5,809	(5,809)	(100.0%)
Purchases of other financial assets	**(192)**	(1,873)	(1,681)	(89.7%)
Proceeds from disposal of other financial assets	**2,741**	–	2,741	100.0%
Proceeds from disposal of property, plant and equipment	**–**	5	(5)	(100.0%)
Decrease in fixed bank deposits	**–**	3,293	(3,293)	(100.0%)
Decrease/(increase) in loan to ultimate holding company	**2,951**	(8,239)	(11,190)	(135.8%)
Net cash used in investing activities	**(5,628)**	(18,392)	(12,764)	(69.4%)

	2021 HK$'000	2020 HK$'000	Change HK$'000	Change %
Proceeds from bank borrowings	**229,987**	138,475	91,512	66.1%
Repayments of bank borrowings	**(172,256)**	(130,431)	41,825	32.1%
Interest paid	**(808)**	(746)	62	8.3%
Repayments of principal portion of the lease liabilities	**(2,324)**	(2,171)	153	7.0%
Increase in loan from a shareholder	**5,000**	–	5,000	100.0%
Net cash generated from financing activities	**59,599**	5,127	54,472	1062.5%
Net increase/(decrease) in cash and cash equivalents	**34,757**	(24,425)	(59,182)	(242.3%)
Cash and cash equivalents at beginning of year	**96,189**	116,075	(19,886)	(17.1%)
Effect of exchange rate changes	**(7,858)**	4,539	(12,397)	(273.1%)
Cash and cash equivalents at end of year	**123,088**	96,189	26,899	28.0%

CASH FLOWS FROM OPERATING ACTIVITIES

The Group generated HK$22.5 million positive cash flows from operating activities before working capital changes and income tax paid in 2021, which was HK$3.8 million higher than that in 2020. After changes in working capital and income tax paid, cash outflows of HK$19.2 million was recorded.

Cash flows used in operating activities increased by HK$8.1 million from HK$11.2 million for the year ended 31 December 2020 to HK$19.2 million for the year ended 31 December 2021. The increase was mainly because the increase in trade and other receivables balances has exceeded the decline in contract liabilities balances during the year in 2021.

CASH FLOWS FROM INVESTING ACTIVITIES

The Group recorded net cash outflow from investing activities reduced by HK$12.8 million from HK$18.4 million in 2020 to HK$5.6 million in 2021. The decrease was due to proceeds from disposal of other financial assets and repayments from ultimate holding company.

CASH FLOWS FROM FINANCING ACTIVITIES

The Group recorded cash inflow from financing activities of HK$59.6 million for the year ended 31 December 2021 mainly because proceeds from bank borrowings has exceeded repayments of bank borrowings.

As a result, the Group's net cash and cash equivalent increased by HK$34.8 million for the year ended 31 December 2021. Mitigating by unfavourable exchange rate change of Korean won against Hong Kong Dollars, the Group's cash and cash equivalents increased by HK$26.9 million or 28.0% to approximately HK$123.1 million as at 31 December 2021 compared to that of 2020.

OTHER INFORMATION

Liquidity and Financial Resources

As at 31 December 2021, the Group's net current assets of HK$108.3 million showing a strong liquidity. The liquidity ratio, represented by a ratio of current assets over current liabilities, was 1.6 times (as at 31 December 2020: 1.6 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 2021, the gearing ratio increased to 64.7% (as at 31 December 2020: 24.2%). The Group had variable rate bank borrowings in United States Dollars and Korean Won of approximately US$8.8 million and KRW2,357 million respectively, which were equivalent to approximately HK$83.8 million (as at 31 December 2020: approximately HK$30.3 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 2021, the Group recorded cash and cash equivalents of approximately HK$123.1 million (as at 31 December 2020: approximately HK$96.2 million), which included approximately KRW17,046 million, HK$9.7 million, US$0.2 million and small amount of Singapore Dollars and Chinese Yuan.

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 2021, we experienced an unfavourable foreign exchange movement in the Korea 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 2021.

Material Investments and Capital Assets

The Group did not have other material investments and capital assets for the year ended 31 December 2021.

As at 31 December 2021, the Group was continuously seeking potential buyers for the remaining eleven properties. Having said that in the circular dated 25 January 2021 and the supplementary announcement dated 31 March 2021, since the properties are part of the government subsidised, the Directors consider that the prices of the properties will not have any downside risk. In the event that any of the eleven properties are not disposed of prior to the payment date for relevant intermediate payment(s) and/or remaining balance, the Company intends to satisfy these payable by bank borrowings in Korea and obtained a banking facility to satisfy relevant intermediate payments.

Significant Acquisitions and Disposals

For the year ended 31 December 2021, the Group had not made any significant acquisition or disposal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2021.

Capital Commitment

As at 31 December 2021, the Group has outstanding capital commitments of KRW4,713,060,000 (equivalent to approximately HK$30.9 million) related to the agreements entered for properties purchase in Korea which is not provided for in the Group's financial statements.

Business Review

	HK$'000
Opening backlog as at 1 January 2021	166,124
New booking during the year	687,824
Revenue recognised during the year	(720,569)
Closing backlog as at 31 December 2021	133,379

The Group's revenue showed a stable growth in spite that the threat of new variant coronavirus. For the year ended 31 December 2021, system integration segment was the main source of revenue of the Group and more sizable contracts were awarded to sustain revenue growth in consecutive years. Examples of these sizable contracts included:

- A contract won from a search engine operator amounting to KRW8.4 billion (equivalent to HK$57.2 million)
- A contract won from a computer programming service provider amounting to KRW6.8 billion (equivalent to HK$46.3 million)
- A contract won from government for equipment replacement amount to KRW5.6 billion (equivalent to HK$38.2 million)

Revenue from maintenance services segment has been growing during the year ended 31 December 2021 to HK$179.7 million from HK$164.1 million for the same corresponding period in 2020. The growth was due to the increase in number of maintenance contracts.

Cyber security services segment was in growing trend. For the year ended 31 December 2021, this segment recorded a revenue of approximately HK$35.0 million which represented an increase of HK$8.0 million or 29.6%, the highest growth rate among the segments of the Group.

Key performance indicators

	2021 KRW'million	2020 KRW'million	Change %
Average productivity per operating staff – Korea	**665/employee**	739/employee	–10.0%
	HK$'000	HK$'000	%
Average productivity per operating staff – Hong Kong	**1,843/employee**	1,501/employee	+22.8%
	KRW'million	KRW'million	%
Average contract price for system integration project	**95**	102	–6.9%
	Number of projects	Number of projects	Number of projects
Number of new system integration projects awarded	**765**	511	+254

The strategy in our Korean subsidiary has been gaining higher market share by accepting relative low margin system integration projects. As a result, the Group awarded more projects with lower average contract price and lower of average productivity of each operating staff.

Prospects

As presented in our analysis on the Group's profit or loss, the Group broke the track record profits and constituted the sixth consecutive profitable year. To better adapt and cope with the current market conditions and economic environment, the Board intended to expand its market share by increasing service points in Korea and other Asian countries. Meanwhile, a rigid cost controls measures is remained adopted for uncertain economic environment and political instability. We are looking forward to another profitable fiscal year in 2022, barring any other unforeseen circumstances.

Employees and Remuneration Policy

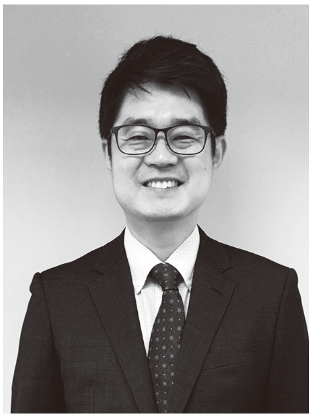
As at 31 December 2021, the Group had an aggregate of 222 (31 December 2020: 220) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The employees are also entitled to discretionary bonus depending on their respective performance. Total employee costs, including Directors' emoluments, amounted to approximately HK$103.7 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK$98.8 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 2021, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Suh Seung Hyun (徐承鉉)

Mr. Phung Nhuong Giang (馮潤江)

EXECUTIVE DIRECTORS

Mr. Suh Seung Hyun (徐承鉉), aged 52, is the co-founder of our Group, our executive Director and the chairman of our Board. Mr. Suh is also a director of Global Telecom, a wholly-owned subsidiary of the Company. Mr. Suh is mainly responsible for the overall management with focus on the operation of our business. In particular, Mr. Suh is responsible for overseeing the financial well-being of our Korean business, monitoring our business units in achieving internal sales target and market share target, as well as supervising the provision of our services to customers.

Mr. Suh obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Suh has over 24 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Suh started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

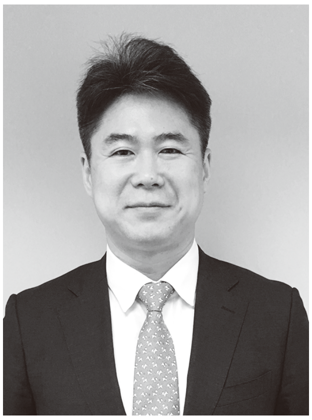
EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang (馮潤江), aged 60, is an executive Director and the deputy chairman of our Board. Mr. Phung is also a director of Future Data Limited ("Future Data") and SuperChips Limited and a director of Asia Media Systems Pte. Ltd. ("AMS"), controlling shareholder of the Company. Mr. Phung was appointed as a director of Maximus Group Consulting Limited ("Maximus Group") and its subsidiary, Maximus Consulting (Hong Kong) Limited on 3 June 2019. He was also appointed as a director of MXC Security (Singapore) Pte. Ltd., a wholly-owned subsidiary of Maximus Group, on 10 July 2019. Mr. Phung first joined our Group when he was appointed as a director of Global Telecom in December 2006 after completion of the acquisition of Global Telecom by AMS. Mr. Phung resigned from the directorship in Global Telecom in May 2008 to pursue his other business engagement, but remained as one of the ultimate beneficial owners of Global Telecom.

Mr. Phung then rejoined Global Telecom in March 2014 as a director. Mr. Phung is mainly responsible for strategy planning, investor relations and public relations of our Group. On 30 March 2020, Mr. Phung resigned from the directorship in Global Telecom but maintains control over Global Telecom by holding directorship of its holding companies.

Mr. Phung obtained a bachelor's degree with first class honour in Electrical Engineering from the University of Western Australia in Australia in April 1987 and a Master of Business Administration from the University of Louisville in the United States in December 1999.

Mr. Phung has over 33 years of experience in the information and communications technology industry. Mr. Phung worked as a network specialist in Telstra Corporation Limited, an Australian telecommunications and media company, in 1987; as product manager in QPSX Communications Ltd, an Australian company, in 1988 and as a chief technologist in Dimension Data Asia Pacific Ltd. (formerly known as Datacraft Asia Ltd.), a company principally engaged in the provision and management of specialist IT infrastructure solutions, from 1993 to 2001. Mr. Phung joined DMX Technologies Group Limited in April 2001, a company incorporated in Bermuda. He served as the executive director and chief executive officer of DMX Technologies Group Limited and later resigned from the directorship and chief executive office in DMX Technologies Group Limited in 2006.



Mr. Lee Seung Han (李承翰)

EXECUTIVE DIRECTORS

Mr. Lee Seung Han (李承翰), aged 51, is the co-founder of our Group, an executive Director and the chief executive officer of our Group. Mr. Lee is also a director of Global Telecom, Future Data and SuperChips Limited. Mr. Lee is mainly responsible for the overall management with focus on business development of our Group. In particular, Mr. Lee is responsible for the formulation of corporate strategy and the supervision and management of the business development of our Group.

Mr. Lee obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1996.

Mr. Lee has over 25 years of experience in the information and communications technology industry. Prior to co-founding our Group, Mr. Lee started his career in ShinLa Information Communications Co., Ltd., a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Ryoo Seong Ryul (柳晟烈)

EXECUTIVE DIRECTORS

Mr. Ryoo Seong Ryul (柳晟烈), aged 48, is an executive Director and the chief financial officer of our Group. Mr. Ryoo is also the general manager of finance department of Global Telecom. Mr. Ryoo is mainly responsible for the financial planning, budgeting and control and administration matters of the Group.

Mr. Ryoo obtained a bachelor's degree in business administration from Korea Aerospace University in Korea in February 1996.

Mr. Ryoo has over 20 years of experience in finance and human resource. Mr. Ryoo started his career in the trading department in Yoolim Fishingnet Co., Ltd. from May 1998 to April 2000, with last position being an assistant manager. In June 2000, Mr. Ryoo was appointed as the account and finance manager in KG INICIS Co., Ltd. (Stock code: 035600), a company principally engaged in the provision of payment gateway service and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in November 2004. In November 2004, Mr. Ryoo was appointed as the general management team manager in Plantynet Co., Ltd. (Stock code: 075130), a company principally engaged in the provision of internet security software and services and the issued shares of which are listed on KOSDAQ of the Korea Exchange, and left such position in June 2005. Mr. Ryoo joined our Group in July 2005 as the general manager of Finance department of Global Telecom.

Mr. Tao Guolin (陶國林)

EXECUTIVE DIRECTORS

Mr. Tao Guolin (陶國林), aged 54, was appointed as an executive Director of our Group on 25 August 2021. Mr. Tao obtained his bachelor's degree in business administration, majoring in marketing, from Beijing University of Technology (北京工業大學) in Beijing of the People's Republic of China (the "PRC") in July 2001. Mr. Tao has extensive experience in trading and commerce as well as the real estate industry. He served as a deputy head of the supervisory committee of Jinke Property Group Co., Ltd (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000656), from April 2019 to July 2021. Mr. Tao has been working as a supervisor of Chongqing Xinshili Investment Company Limited* (重慶新實力投資有限公司) since August 2014 and is principally responsible for overseeing its strategic planning and management. He has been the president of Chongqing Home Furnishing Industry Chamber of Commerce* (重慶市家居行業商會) since December 2015. Mr. Tao has a broad business network in the PRC. The significant business development experience and the broad business network that Mr. Tao possesses would be conducive to the Group's development of its cybersecurity software business as well as exploration of business opportunities in the Asian region, especially in the PRC.

Mr. Wong Sik Kei (王錫基)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei (王錫基), aged 74, was appointed as our independent non-executive Director on 21 June 2016 and is the chairman of our remuneration committee.

Mr. Wong obtained a bachelor's degree in engineering from The University of Hong Kong, in October 1971. Mr. Wong also obtained a Master of Philosophy in October 1977 and a Master of Social Sciences in November 1980 from The University of Hong Kong. Mr. Wong joined the Hong Kong government as an assistant telecommunications engineer of the Post Office of Hong Kong in September 1974. Mr. Wong was subsequently promoted to telecommunications engineer in September 1978, senior telecommunications engineer in July 1980, chief telecommunications engineer in June 1984 and assistant postmaster general in July 1988. In March 1994, Mr. Wong was appointed as a senior assistant director of telecommunications in the Office of the Telecommunications Authority of Hong Kong. Mr. Wong served as the director general of the Office of Telecommunications Authority ("OFTA") from April 1997 to August 2003. In August 2003, Mr. Wong joined the Innovation and Technology Department of the Hong Kong government in capacity of Commissioner. Mr. Wong officially retired from the Hong Kong government in November 2007. Mr. Wong has been an independent non-executive director of ETS Group Limited (Stock code: 8031), the issued shares of which are listed on GEM, since December 2011. Mr. Wong has been an independent non-executive director of China Creative Global Holdings Limited (Stock code: 1678), the issued shares of which are listed on Main Board, since October 2021.

Mr. Sum Chun Ho (沈振豪)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sum Chun Ho (沈振豪), aged 50, was appointed as our independent non-executive Director on 2 November 2016 and is the chairman of our audit committee. Mr. Sum has over 25 years of experience in the field of professional accounting services. Mr. Sum obtained a master's degree in accounting from Monash University, and is a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Sum is currently the sole proprietor of C. H. Sum & Co., a firm of certified public accountants. From 9 November 2021 to 8 December 2021, Mr. Sum was re-appointed as the engagement partner and engagement quality control reviewer of Martin C.K. Pong & Company.

Mr. Yung Kai Tai (容啟泰)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yung Kai Tai (容啟泰), aged 71, was appointed as our independent non-executive Director on 15 June 2017 and is the chairman of our nomination committee.

Mr. Yung obtained a Bachelor of Science degree majoring in Physics and minoring in Electronics and a Master of Business Administration, both from the Chinese University of Hong Kong, in October 1973 and October 1986 respectively. Mr. Yung also completed a Harvard Business School Executive Education in July 1997.

Mr. Yung has extensive knowledge and 37 years' experience in the information and communication technology industry. Mr. Yung joined the Hong Kong Productivity Council in March 1983 and has over 30 years of working experience in the organization. Before his retirement in April 2011, Mr. Yung was the general manager of the Hong Kong Productivity Council, responsible for the development of the information and communication technology industry in Hong Kong. Mr. Yung has once acted as the chairman of the Hong Kong Game Industry Association, the vice president of the Hong Kong Software Industry Association and the vice president of the Hong Kong Association for Advancement of Science and Technology. Mr. Yung was also elected as distinguished fellow of the Hong Kong Computer Society and member of the first three Election Committees of the Hong Kong Special Administrative Region. From 1 February 2013 to 30 June 2016, Mr. Yung was an independent non-executive director of ETS Group Limited (stock code: 8031), the issued shares of which are listed on GEM. From 23 December 2015 to 7 January 2022, Mr. Yung was an independent non-executive director of Gameone Holdings Limited (stock code: 8282), the issued shares of which are listed on GEM of the Stock Exchange.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

As at the date of this annual report, each of our Directors confirms that save for the information shown on the Section "Corporate Information" of this annual report and save as disclosed above: (i) he has not held directorships in the past three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in the Report of the Directors of this annual report, he does not have any interests in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); (iii) there was no information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the shareholders of the Company.

Mr. Kim Dae Ho (金大豪)

SENIOR MANAGEMENT

Mr. Kim Dae Ho (金大豪), aged 49, is the head of solution business division of Global Telecom. Mr. Kim is responsible for leading the sales team.

Mr. Kim has over 21 years of experience in the information and communications technology industry and joined Global Telecom in February 2007 as sales manager.

Mr. Ki graduated from Dongkuk University in Korea in February 1997.

Mr. Lee Jun Su (李俊洙)

SENIOR MANAGEMENT

Mr. Lee Jun Su (李俊洙), aged 49, is the head of security technical support team. Mr. Lee Jun Su is responsible for leading the security technical support team of Global Telecom.

Mr. Lee Jun Su joined our Group as a network engineer of Global Telecom in September 1997 and has accumulated more than 23 years of experience in the information and communications technology industry.

Mr. Lee Jun Su obtained a bachelor's degree in computer science from The University of Suwon in Korea in February 1998.

Mr. Lim Jae Yong (林栽溶)

SENIOR MANAGEMENT

Mr. Lim Jae Yong (林栽溶), aged 51, has joined Global Telecom in January 2006 as sales director of security business division who is responsible for leading the sales team and providing technical consultancy.

Mr. Lim has more than 26 years of experience in the information and communications technology industry. He started his career in Dongbu Information System after graduated from Korea University in 1996 and has worked in Datacraft Korea for 5 years as network engineer. Prior to joining our Group, he worked as senior management in Innet Co., Ltd, a company specializes in providing a variety of network solution, from 2004 to 2005.

Mr. Park Hyeong Jin (朴炯進)

SENIOR MANAGEMENT

Mr. Park Hyeong Jin (朴炯進), aged 53, is the co-founder of our Group and the chief technical officer of Global Telecom. He is mainly responsible for technological development and overall management of technical support team of Global Telecom.

Mr. Park obtained a bachelor's degree in computer science from The University of Suwon in Korea, in February 1996.

Mr. Park has over 25 years of experience in the information and communication technology industry. Prior to co-founding our Group, Mr. Park started his career in ShinLa Information Communications Company Limited, a company principally engaged in network infrastructure business in Korea, in December 1995 and left in March 1997.

Mr. Chung Pui Nam Roger (鍾沛南)

SENIOR MANAGEMENT

Mr. Chung Pui Nam Roger (鍾沛南), aged 53, is the CEO of the cyber security business. He has over 32 years of experiences in the Information Technology and Cyber Security Advisory Industry for Asia. Mr. Chung is responsible for business strategy, overall sales, research & development and operational management of Maximus Consulting (Hong Kong) Limited ("Maximus HK") since April 2003.

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

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

Mr. Tao Jian (陶建)

SENIOR MANAGEMENT

Mr. Tao Jian (陶建), aged 44, obtained his bachelor's degree in business administration from Chongqing Technology and Business University (重慶工商大學) in Chongqing, PRC in June 2001. He has been an executive director of Chongqing Qingheng Trading Company Limited (重慶恒商貿易有限公司) and Chongqing Runtong Trading Company Limited (重慶潤通商貿有限公司) till 2017 and 2019 respectively and was mainly responsible for software development and sales and marketing.

Mr. Tao Jian has joined our Group in September 2021 and is principally responsible for business exploration in Asian countries.

CORPORATE GOVERNANCE REPORT

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 2021, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted its securities dealing code ("Securities Dealing Code") which is no less exacting than the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his compliance with the Securities Dealing Code throughout the year ended 31 December 2021.

The Company has also adopted the Securities Dealing Code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities. No incidence of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight members, consisting of five executive Directors and three independent non-executive Directors.

Executive Directors:

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

Independent non-executive Directors:

Mr. Wong Sik Kei
  (Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)
Mr. Sum Chun Ho
  (Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee)
Mr. Yung Kai Tai
  (Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee)

The biographical information of the Directors are set out on pages 16 to 19 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The position of Chairman is held by Mr. Suh Seung Hyun and he provides leadership and is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. Mr. Phung Nhuong Giang is the Deputy Chairman and is mainly responsible for strategy planning, investor relations and public relations of our Group. The position of Chief Executive Officer is held by Mr. Lee Seung Han and he is responsible for the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2021, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for a specific term of three years, subject to renewal after the expiry of the then current term or termination by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a term of three years commencing from the date of renewed appointment during 2019, subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Each of the Directors is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the articles of association of the Company ("Articles"). The term of offices of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

The Directors have participated in the following trainings during the year ended 31 December 2021:

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

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

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

Note: Mr. Tao Guolin was appointed as executive Director with effect from 25 August 2021

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

All of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code.

On 31 December 2018, the Board adopted the revised terms of reference of the Audit Committee by a resolution passed on the same date. Such revised terms of reference is posted on the website of the Stock Exchange and of the Company.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems and the internal audit function, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Sum Chun Ho, Mr. Wong Sik Kei and Mr. Yung Kai Tai. Mr. Sum Chun Ho is the chairman of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 December 2021, the Audit Committee held four meetings, to review the remuneration, terms of engagement and independence of the Company's external auditors, review the risk management and internal control systems and internal audit function, the arrangements for employees to raise concerns about possible improprieties, the Group's annual financial results and report for the year ended 31 December 2020; quarterly financial results and report for the three months and nine months ended 31 March 2021 and 30 September 2021 respectively; and interim financial results and report for the six months ended 30 June 2021 before submission to the Board for approval.

The Audit Committee met the external auditors twice a year without the presence of the executive Directors.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2021 and the independent auditor's report thereon.

The Audit Committee has also reviewed the compliance with the Deed of Non-competition given by the controlling Shareholders as defined and stated in the prospectus of the Company dated 29 June 2016. The Company has obtained an annual written confirmation from the Company's controlling Shareholders in respect of their compliance with the terms of the Deed of Non-competition.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include determining, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee currently consists of three members, Mr. Wong Sik Kei, Mr. Sum Chun Ho and Mr. Yung Kai Tai, all of whom are independent non-executive Directors. Mr. Wong Sik Kei is the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

During the year ended 31 December 2021, the Remuneration Committee held one meeting, to review the remuneration packages of Directors and senior management as well as the Company's policy and structure for the remuneration of Directors and senior management.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 21 June 2016 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size, composition and diversity, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee currently consists of three members, Mr. Yung Kai Tai, Mr. Sum Chun Ho and Mr. Wong Sik Kei, all of whom are independent non-executive Directors. Mr. Yung Kai Tai is the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

During the year ended 31 December 2021, the Nomination Committee held one meeting, to review the structure, size and composition of the Board, the Board Diversity Policy and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

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

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

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

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

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

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

Director Nomination Policy

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

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

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

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the required standard of dealings by directors of securities transactions and the Company's Securities Dealing Code, as well as the Company's compliance with the CG Code and disclosure in this corporate governance report.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

The remuneration bands of the members of senior management who are not Directors of the Company for the year ended 31 December 2021 are as follows:

Remuneration bands	Number of Individuals
HK$ Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
HK$2,500,001 to HK$3,000,000	1

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Suh Seung Hyun	4/4	N/A	N/A	N/A	1/1
Mr. Phung Nhuong Giang	4/4	N/A	N/A	N/A	1/1
Mr. Lee Seung Han	4/4	N/A	N/A	N/A	1/1
Mr. Ryoo Seong Ryul	4/4	N/A	N/A	N/A	1/1
Mr. Tao Guolin (Note)	1/1	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Wong Sik Kei	4/4	4/4	1/1	1/1	1/1
Mr. Sum Chun Ho	4/4	4/4	1/1	1/1	1/1
Mr. Yung Kai Tai	4/4	4/4	1/1	1/1	1/1

Note: Mr. Tao Guolin was appointed as executive Director with effect from 25 August 2021

Four regular board meetings were held during the year ended 31 December 2021.

On 22 March 2021, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other Directors.

Independent non-executive Directors have attended the AGM held in 2021 to gain and develop a balanced understanding of the view of Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operation or prevent it from achieving its business objectives.

The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, inter alia, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses. The risk management process of our Group will involve, inter alia, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

An internal audit function is set up to examine key issues in relation to the financial and operational matters/practices and to provide its findings and any recommendations for improvement to the Audit Committee. As the Group is relatively simple corporate and operation structure, the Board is assisted by its own internal audit function to manage the risks exposed to the Group. During the year, the Group engaged an independent internal control consultant, Premier Advisory Services Limited ("PASL"), to reassess existing internal control policies and to give recommendations to make any enhancement.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorised access and use of information are strictly prohibited.

During the year ended 31 December 2021, the Board, as supported by the Audit Committee, our compliance officer and PASL, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources as well as our ESG performance and reporting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The report of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 50 to 55.

AUDITOR'S REMUNERATION

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

For the year ended 31 December 2021, the remuneration paid or payable to BDO Limited in respect of audit and non-audit services provided is set out below:

COMPANY SECRETARY

With effect from 29 January 2021, Ms. Cheung Yuet Fan ("Ms. Cheung") of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services, was appointed as the company secretary of the Company in place of Ms. Chan Suet Lam.

With effect from 2 July 2021, Mr. Cheung Ting Pong ("Mr. Cheung") was appointed as the joint company secretary of the Company, and Ms. Cheung has continued with the role and act as the other joint company secretary of the Company.

With effect from 31 August 2021, Mr. Cheung was resigned as the joint company secretary of the Company, and Ms. Cheung is the sole company secretary of the Company.

Ms. Cheung's primary contact person at the Company is Mr. Phung Nhuong Giang, Deputy Chairman of the Company.

Service rendered	Remuneration paid/payable HK$'000
Audit services:	
2021 annual audit	1,127

Ms. Cheung is responsible for providing advice to the Company on corporate governance matters and relevant updates on applicable laws, rules and regulations so as to uphold good corporate governance practices of the Company. All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings of the Company will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Suite 1507–08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for the attention of the Chairman of the Board.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address:	Suite 1507–08, 15/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Email:	enquiry@futuredatagroup.com
Fax:	(852) 2907 0003

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a policy on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to the Shareholders.

In recommending the declaration and payment of dividend, the Board shall consider all relevant internal and external factors which include, but not limited to, financial results, liquidity position, capital requirements, general market and economic conditions, as well as our Shareholders' interests.

The recommendation of any final dividend for a financial year will be subject to Shareholders' approval at general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 December 2021. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

REVENUE AND SEGMENT INFORMATION

The revenue and segment information of the Group for the year are set forth in the consolidated financial statements on pages 94 to 99 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year and the financial position of the Company and of the Group as at 31 December 2021 are set forth in the consolidated financial statements on pages 56 to 149 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2021, a discussion on the Group's business development and an analysis of the Group's performance using key financial performance indicators are provided in the "Management Discussion and Analysis" on pages 7 to 15. In addition, discussions on the principal risks and uncertainties facing the Group, the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, particulars of important events affecting the Group since the financial year ended 31 December 2021 and key relationships with its stakeholders are contained in this "Report of the Directors".

PRINCIPAL RISK AND UNCERTAINTIES

Our Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to our Group's business. The following are the key risks and uncertainties identified by our Group.

Our integrated systems are provided on a project basis. Such projects are not recurring in nature and our future business depends on our continuing success in securing contracts

For the year ended 31 December 2021, approximately HK$505.9 million (2020: HK$488.0 million) of our revenue was generated from our system integration projects, representing approximately 70.2% (2020: 71.9%) of our total revenue. Our Directors believe that the competition in the system integration industry is intense and our ability to secure contracts is one of the critical factors that is important to our success. Our success requires us to maintain good relationships with our existing customers and to develop new relationship with potential customers. Our integrated systems are provided on a project basis and our customers may subsequently engage us in enhancement works or conducting upgrades for the systems integrated by us in previous projects. Our customers may also engage us to integrate new systems after the retirement of outdated systems. However, there is no assurance that the customers will continue to provide us with the new businesses after completion of our projects. In the event that we are unable to succeed in securing existing customers and obtaining sufficient number of recurring and/or new system integration contracts, our competitive advantage may be weakened.

We may not be able to keep up with rapid technological changes and may be driven out of competition

The system integration industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and continually improving the know-how of our staff in response to evolving demands of the market place. Failing to adapt to such changes would have a material adverse effect on our business.

ENVIRONMENTAL POLICY

Environmental policy is set out in the "Environmental, Social and Governance Report", which will be published on the websites of the Company and of the Stock Exchange by the end of May 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2021.

KEY RELATIONSHIPS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

Owing to the fact that our system integration can be applied to various industries, we have a diverse base of customers ranging from small and medium enterprises to multinational corporations and government-owned entities. We will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select suppliers based on our past experience working with them, their reputation in the industry, specification of their hardware and software components, and quality of their after sales service and price.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 December 2021, our largest customer accounted for approximately 7.9% (2020: 5.5%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 28.1% (2020: 21.9%).

For the year ended 31 December 2021, our largest supplier accounted for approximately 23.3% (2020: 14.3%) of our total costs of hardware and software component incurred, while the percentage of our total costs of hardware and software component incurred attributable to our five largest suppliers in aggregate was approximately 47.4% (2020: 36.4%).

For the year ended 31 December 2021, our largest subcontractor amounted to approximately 31.0% (2020: 32.2%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 58.3% (2020: 56.5%).

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the share option scheme.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 150 of this annual report. This summary does not form part of the consolidated financial statements for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of movements in intangible assets of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had no retained profit available for distribution to Shareholders of the Company. However, in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Articles, the share premium account of the Company of HK$35,718,000 is subject to solvency test, available for distribution to Shareholders.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 21 June 2016 (the "Scheme") as approved by a resolution of the Shareholders passed on 21 June 2016.

Details of the Scheme are as follows:

1. Purpose of the Scheme	To provide an incentive or a reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain highcalibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.
2. Eligible participants to the Scheme	Any employee (full-time or part-time), director, supplier and customer of the Group or any invested entity; any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any invested entity; and any person (who in the sole discretion of the Board) has contributed or may contribute to the Group or any invested entity.
3. Total number of shares available for issue under the Scheme and percentage to the issued shares as at the date of this annual report	40,000,000 shares (equivalent to 10% of the total number of shares of the Company ("Shares") in issue as at 31 December 2021).
4. Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.
5. The period within which the shares must be taken up under an option	A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme.
6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The payment or remittance of HK$1.00 within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.
8. The basis of determining the exercise price	Being determined by the Board and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date.
9. The remaining life of the Scheme	The Scheme is valid and effective for a period of ten (10) years commencing on 21 June 2016 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since the adoption of the Scheme.

DIRECTORS

The Board during the year and up to the date of this report are as follows:

Executive Directors

Mr. Suh Seung Hyun *(Chairman)*
Mr. Phung Nhuong Giang *(Deputy Chairman)*
Mr. Lee Seung Han *(Chief Executive Officer and Compliance Officer)*
Mr. Ryoo Seong Ryul *(Chief Financial Officer)*
Mr. Tao Guolin *(appointed as executive Director on 25 August 2021)*

Independent non-executive Directors

Mr. Wong Sik Kei
Mr. Sum Chun Ho
Mr. Yung Kai Tai

In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such general meeting. Any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting and shall be eligible for re-election.

In accordance with articles 84(1) and 84(2) of the Articles, Mr. Suh Seung Hyun, Mr. Ryoo Seong Ryul and Mr. Yung Kai Tai shall retire at the forthcoming AGM. In addition, Mr. Tao Guolin who has been appointed by the Board on 25 August 2021 shall hold office until the conclusion of the forthcoming AGM pursuant to Article 83(3) of the Articles. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 21 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the loan to ultimate holding company disclosed in note 23 and loan from a shareholder in note 26 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

During the year ended 31 December 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Disclosure of Interests" below and "Share Option Scheme" in note 31 to the consolidated financial statements, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2021, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital (Note 4)
Mr. Phung Nhuong Giang (Notes 1, 2 and 3) ("Mr. Phung")	Interest held jointly with other persons/ Interest in controlled corporation/ Interest of spouse	220,000,000	55.00%
Mr. Suh Seung Hyun (Notes 1 and 2) ("Mr. Suh")	Interest held jointly with other persons/ Interest in controlled corporation	220,000,000	55.00%
Mr. Lee Seung Han (Notes 1 and 2) ("Mr. Lee")	Interest held jointly with other persons/ Interest in controlled corporation	220,000,000	55.00%
Mr. Tao Guolin (Note 4) ("Mr. Tao")	Beneficial owner	22,917,327	5.73%

Notes:

(1) LiquidTech Limited ("LiquidTech") held 220,000,000 Shares, representing 55.00% of the issued Shares. LiquidTech is wholly owned by Asia Media Systems Pte. Ltd. ("AMS") which is owned by Mr. Phung, Mr. Suh, Mr. Lee, Mr. Park Hyeoung Jin ("Mr. Park"), Mr. Lee Sung Gue, Mr. Lee Je Eun and Ms. Marilyn Tang as to 18.14%, 25.34%, 22.71%, 14.03%, 14.03%, 3.40% and 2.35% respectively.

(2) On 21 June 2016, four of the ultimate controlling Shareholders, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 55.00% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 55.00% interest in the share capital of the Company.

(3) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Mr. Phung is deemed to be interested in all the Shares in which Ms. Marilyn Tang is interested under Part XV of the SFO.

(4) On 21 July 2021, LiquidTech and Mr. Tao have entered into a sale and purchase agreement, whereby LiquidTech agreed to sell and Mr. Tao agreed to purchase 22,917,327 shares representing approximately 5.73% interest in the share capital of the Company.

(5) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2021 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests in the Shares and Underlying Shares

As at 31 December 2021, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

Long Positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital (Note 8)
LiquidTech (Note 1)	Beneficial owner	220,000,000	55.00%
AMS (Notes 1, 2 and 3)	Interest in controlled corporation	220,000,000	55.00%
Mr. Park (Notes 2 and 3)	Interest held jointly with other persons/ Interest in controlled corporation	220,000,000	55.00%
Ms. Marilyn Tang (Notes 2, 3 and 4)	Interest held jointly with other persons/ Interest in controlled corporation/ Interest of spouse	220,000,000	55.00%
Ms. Lee Kim Sinae (Note 5)	Interest of spouse	220,000,000	55.00%
Ms. Suh Kim Seong Ock (Note 6)	Interest of spouse	220,000,000	55.00%
Ms. Shin Hee Kum (Note 7)	Interest of spouse	220,000,000	55.00%
Ms. Han Lerong (Note 8)	Interest of spouse	22,917,327	5.73%
Mr. Tao Jian	Beneficial owner	20,000,000	5.00%

Notes:

(1) LiquidTech is wholly-owned by AMS. AMS is deemed to be interested in all the Shares in which LiquidTech is interested under Part XV of the SFO.

(2) AMS is owned as to approximately 18.14% by Mr. Phung, 25.34% by Mr. Suh, 22.71% by Mr. Lee, 14.03% by Mr. Park, 14.03% by Mr. Lee Sung Gue, 3.40% by Mr. Lee Je Eun and 2.35% by Ms. Marilyn Tang.

(3) On 21 June 2016, four of the ultimate controlling Shareholders, namely, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park, entered into the acting in concert confirmation and undertaking to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park together control approximately 55.00% interest in the share capital of the Company through AMS and LiquidTech. As a result, each of Mr. Phung, Mr. Suh, Mr. Lee and Mr. Park is deemed to be interested in approximately 55.00% interest in the share capital of the Company.

(4) Ms. Marilyn Tang is the owner of approximately 2.35% of the issued shares of AMS and the spouse of Mr. Phung. Ms. Marilyn Tang is deemed to be interested in all the Shares in which Mr. Phung is interested under Part XV of the SFO.

(5) Ms. Lee Kim Sinae is the spouse of Mr. Lee. Ms. Lee Kim Sinae is deemed to be interested in all the Shares in which Mr. Lee is interested under Part XV of the SFO.

(6) Ms. Suh Kim Seong Ock is the spouse of Mr. Suh. Ms. Suh Kim Seong Ock is deemed to be interested in all the Shares in which Mr. Suh is interested under Part XV of the SFO.

(7) Ms. Shin Hee Kum is the spouse of Mr. Park. Ms. Shin Hee Kum is deemed to be interested in all the Shares in which Mr. Park is interested under Part XV of the SFO.

(8) Ms. Han Lerong is the spouse of Mr. Tao. Ms. Han Lerong is deemed to be interested in all the Shares in which Mr. Tao is interested under Part XV of the SFO.

(9) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2021 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2021, the Group entered into a related party transaction as set out in note 37(a) to the consolidated financial statements. The related party transaction disclosed in note 37(a) to the consolidated financial statements is a connected transaction that is fully exempt from reporting, announcement and independent Shareholders' approval pursuant to the GEM Listing Rules. The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules in respect of such connected transaction.

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

During the year ended 31 December 2021, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely LiquidTech, AMS, Mr. Phung Nhuong Giang, Mr. Suh Seung Hyun, Mr. Lee Seung Han, Mr. Park Hyeoung Jin and Ms. Marilyn Tang, entered into the Deed of Non-competition in favour of the Company on 28 June 2016 (the "Deed"), details of which have been set out in the prospectus dated 29 June 2016 (the "Prospectus").

The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed throughout the year ended 31 December 2021. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Deed during the year ended 31 December 2021.

DONATIONS

Charitable or other donations made by the Group during the year ended 31 December 2021 amounted to approximately HK$7,000.

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 2021 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the annual general meeting

The register of members of the Company will be closed from Tuesday, 3 May 2022 to Friday, 6 May 2022 (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 Friday, 29 April 2022.

USE OF PROCEEDS

On 6 August 2021, the Board has resolved to revise the proposed use of the net proceeds from the placing. The Directors are of the view that the use of the proceeds shall be appropriately adjusted to better adapt and cope with the current market conditions and economic environment. The Board considers the reallocation and change in use of proceeds would be more in line with the current business needs of the Group and would enable the Group to deploy its financial resources in a more efficient and effective manner.

The net proceeds for the year ended 31 December 2021 were used as follows:

	Planned use of net proceeds from 6 August 2021 up to 31 December 2021 (HK$ million)	Actual use of net proceeds up to 31 December 2021 (HK$ million)
Setting up new services points in Korea and other Asian countries	14.0	0.5
Setting up office in Hong Kong	0.8	0.8
Development of big data platform and cybersecurity software application capabilities		
– Acquiring a big data platform intellectual property for cybersecurity	4.9	4.9
– Acquiring a cybersecurity software application	7.0	7.0
– Recruiting a team of security experts in Hong Kong	3.4	3.4
General working capital	1.5	1.5
Total	31.6	18.1

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from 8 July 2016 to 31 December 2021 ("Review Period") is set out below:

Business strategies	Implementation activities	Sources of funding during the Review Period	Actual business progress during the Review Period
Expanding market share by setting up new service points in Korea and other Asian countries	– Setting up an office, acquiring equipment and recruiting new staff in Korea and other Asian countries	– Listing proceeds of approximately HK$14.0 million	– Setting up an office and recruiting in Asian countries were in progress.
Development of big data platform and cyber security software application capabilities	– Acquisition of software intellectual property platforms will be integrated to form part of the security operations center (Black Diamond) which is a key business differentiator form other market players	– Listing proceeds of approximately in total HK$11.9 million	– The Group has bought the platforms totally in HK$11.9 million for Hong Kong operations and maintain revenue growth this year.
	– Recruitment of cyber security expert team shall be responsible for the provision of intelligence-lead cyberattack simulation testing services	– Listing proceeds of approximately in total HK$3.4 million	– The professional team cost was HK$3.4 million and contributed brilliant profit margins to the Group's cyber security business in Hong Kong operations since 2017.

PERMITTED INDEMNITY PROVISIONS

Under the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

As a data technology service provider in Korea and Hong Kong, the Group actively adheres to the enterprises' environmental and social responsibilities. We are mindful of our social responsibility and commitment in engaging our stakeholders to build a greener future.

Discussions on the Company's environmental, social, and governance practices, relationships with stakeholders and compliance with relevant laws and regulations which have a significant impact on the Company are contained in the sustainability review in the Environmental, Social and Governance Report, which will be published on the website of the Company and of the Stock Exchange by the end of May 2022.

AUDITOR

BDO Limited has been appointed as auditor of the Company and has audited the Group's financial statements for the year ended 31 December 2021.

The Company has not changed its external auditor during the year ended 31 December 2021 up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of BDO Limited as the auditor of the Company.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information which were required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are as follows:

1. Mr. Tao Guolin was appointed as an executive Director with effect from 25 August 2021. Mr. Tao resigned as the deputy head of the supervisory committee of Jinke Property Group Co., Ltd (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000656), in July 2021.

2. Mr. Wong Sik Kei, independent non-executive Director, was appointed as an independent non-executive director of China Creative Global Holdings Limited (stock code: 1678), a company listed on Main Board of the Stock Exchange, with effect from 28 October 2021.

3. Mr. Sum Chun Ho, independent non-executive Director, was re-appointed as the engagement partner and engagement quality control reviewer of Martin C.K. Pong & Company from 9 November 2021 to 8 December 2021.

4. Mr. Yung Kai Tai, independent non-executive Director, resigned as an independent non-executive director of Gameone Holdings Limited (stock code: 8282), a company listed on GEM of the Stock Exchange, with effect from 7 January 2022.

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.

On Behalf of the Board

Suh Seung Hyun
Chairman

24 March 2022

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF FUTURE DATA GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Future Data Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 56 to 149, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from contracts for system integration and cyber security services

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

For the year ended 31 December 2021, the Group recognised revenue of approximately HK$540,873,000 related to the Group's revenue from contracts for system integration and cyber security services.

Revenue from contracts for system integration and cyber security services involves a number of projects and is recognised under the input method which requires estimation made by management for each project based on the followings:

– Budgeted contract costs; and

– Expected cost to complete the contracts

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

Our response

Our procedures in relation to the revenue from contracts for system integration and cyber security services included:

– Understanding the design of internal controls over revenue recognition;

– Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers;

– Selecting a sample of incomplete contracts as at year end and checked calculation of significant components of budgeted contract costs to supporting documents such as purchase orders of equipment and contracts with subcontractors;

- Selecting a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs; and

- Re-performing on a sample basis the calculation of revenue recognised during the year based on the input method.

Impairment assessment on trade and bills receivables and contract assets

(refer to notes 4(h), 5, 22 and 41(a) to the consolidated financial statements)

As at 31 December 2021, gross trade and bills receivables and contract assets and its related impairment allowances amounted to HK$152,256,000 and HK$16,874,000 respectively. In performing an impairment assessment on trade and bills receivables, management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade and bills receivables, and also forward-looking analysis. The Group determined the expected credit loss rates of contract assets based on those rates applied to trade and bills receivables as contract assets and trade and bills receivables are from the same customer bases.

We have identified this as a key audit matter because the assessment of impairment for trade and bills receivables and contract assets involves significant management judgements and estimates on the amount of expected credit losses at the reporting date.

Our response

Our procedures in relation to the impairment assessment on trade and bills receivables and contract assets included:

- Understanding the design, implementation and operating effectiveness of key controls which govern credit control, debt collection and estimate of expected credit losses;

- Obtaining an understanding of the Group's credit risk management and practices, and assessed the Group's impairment provision policy in accordance with the requirements of HKFRS 9;

- Assessing, on a sample basis, whether items in the trade and bills receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant invoices; and

– Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number P06693

Hong Kong, 24 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	720,569	679,053
Cost of services		(636,281)	(602,131)
Gross profit		84,288	76,922
Other income	8	2,484	6,558
Reversal of impairment losses of trade and bills receivables, net	41(a)	2,262	276
Selling and administrative expenses		(72,522)	(73,983)
Finance costs	9	(808)	(746)
Profit before income tax	10	15,704	9,027
Income tax expense	12	(7,014)	(1,514)
Profit for the year		8,690	7,513
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	29	202	(826)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(10,223)	6,533
Total other comprehensive (expense)/income		(10,021)	5,707
Total comprehensive (expense)/income for the year		(1,331)	13,220
Profit/(loss) attributable to:			
Owners of the Company		7,250	7,876
Non-controlling interests	36	1,440	(363)
		8,690	7,513
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(2,771)	13,683
Non-controlling interests		1,440	(363)
		(1,331)	13,320
Earnings per share attributable to owners of the Company – Basic and Diluted (HK cents)	14	1.81	1.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	7,342	9,959
Intangible assets	17	4,090	8,095
Goodwill	18	7,534	7,534
Other financial assets	19	4,554	7,407
Loan to ultimate holding company	23	–	8,869
Deposits for acquisition of properties	20	19,420	10,498
Rental and other deposits		1,451	3,901
Prepayments	22	3,842	–
Deferred tax assets	28	7,092	8,500
		55,325	64,763
Current assets			
Inventories	21	13,982	15,812
Trade and other receivables	22	110,156	79,813
Contract assets	24(a)	28,482	24,679
Prepayments	22	13,020	14,273
Loan to ultimate holding company	23	5,829	–
Fixed bank deposits		4,196	4,536
Cash and cash equivalents		123,088	96,189
		298,753	235,302
Current liabilities			
Trade and other payables	25	84,085	96,698
Contract liabilities	24(b)	34,120	23,960
Lease liabilities	30(b)	2,236	2,398
Bank borrowings	27	68,383	24,722
Tax payable		1,583	916
		190,407	148,694
Net current assets		108,346	86,608
Total assets less current liabilities		163,671	151,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	30(b)	858	2,052
Bank borrowings	27	15,449	5,568
Loan from a shareholder	26	5,000	–
Defined benefit obligations	29	327	166
Deferred tax liabilities	28	–	217
		21,634	8,003
Net assets		142,037	143,368
EQUITY			
Share capital	31	4,000	4,000
Reserves		135,939	138,710
Equity attributable to owners of the Company		139,939	142,710
Non-controlling interests	36	2,098	658
Total equity		142,037	143,368

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital (Note 31)	Share premium* (Note 34(a))	Capital reserve* (Note 34(b))	Research and development reserve* (Note 34(c))	Foreign exchange reserve* (Note 34(d))	Legal reserve* (Note 34(e))	Retained earnings*	Equity attributable to owners of the Company	Non-controlling interests (Note 36)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	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/ (expense)	–	–	–	–	6,533	–	7,050	13,583	(363)	13,220
Appropriation	–	–	–	–	–	495	(495)	–	–	–
At 31 December 2020	4,000	35,718	13,855	3,674	741	2,490	82,232	142,710	658	143,368
At 1 January 2021	4,000	35,718	13,855	3,674	741	2,490	82,232	142,710	658	143,368
Profit for the year	–	–	–	–	–	–	7,250	7,250	1,440	8,690
Recognition of actuarial losses on defined benefit obligations	–	–	–	–	–	–	202	202	–	202
Exchange differences arising on translation of foreign operations	–	–	–	–	(10,223)	–	–	(10,223)	–	(10,223)
Total comprehensive (expense)/ income	–	–	–	–	(10,223)	–	7,452	(2,771)	1,440	(1,331)
Appropriation	–	–	–	–	–	423	(423)	–	–	–
At 31 December 2021	4,000	35,718	13,855	3,674	(9,482)	2,913	89,261	139,939	2,098	142,037

* 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 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Profit before income tax expense	15,704	9,027
Adjustments for:		
Bad debt expenses	–	192
Amortisation of intangible assets	4,005	4,848
Depreciation of property, plant and equipment	4,318	4,695
Exchange loss/(gain)	303	(2,763)
Finance costs	808	746
Provision for impairment of inventories	537	1,919
Impairment of intangible assets	–	911
Interest income	(803)	(453)
Net loss on disposal of other financial assets	26	11
Net loss on disposal of property, plant and equipment	–	5
Fair value gain on other financial assets	(98)	(127)
Reversal of impairment losses of trade and bills receivables, net	(2,262)	(276)
Operating profit before working capital changes	22,538	18,735
Decrease/(increase) in inventories	128	(7,664)
(Increase)/decrease in rental and other deposits and trade and other receivables	(34,339)	12,879
Increase in contract assets	(4,673)	(1,938)
Increase in prepayments	(3,467)	(2,894)
Decrease in trade and other payables	(1,466)	(21,495)
Increase/(decrease) in contract liabilities	11,574	(6,975)
Decrease in net defined benefit obligations	(5,034)	(2,058)
Cash used in operations	(14,739)	(11,410)
Income taxes paid	(4,737)	(1,364)
Income taxes refunded	–	1,161
Interest received	262	453
Net cash used in operating activities	(19,214)	(11,160)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,085)	(1,825)
Deposits paid for acquisition of properties	20	(10,043)	(15,562)
Proceeds from deposits transferred upon disposals of properties		–	5,809
Purchases of other financial assets		(192)	(1,873)
Proceeds from disposal of other financial assets		2,741	–
Proceeds from disposal of property, plant and equipment		–	5
Decrease in fixed bank deposits		–	3,293
Decrease/(increase) in loan to ultimate holding company		2,951	(8,239)
Net cash used in investing activities		(5,628)	(18,392)
Cash flows from financing activities			
Proceeds from bank borrowings		229,987	138,475
Repayments of bank borrowings		(172,256)	(130,431)
Interest paid		(808)	(746)
Repayment of principal portion of the lease liabilities		(2,324)	(2,171)
Increase in loan from a shareholder	26	5,000	–
Net cash generated from financing activities		59,599	5,127
Net increase/(decrease) in cash and cash equivalents		34,757	(24,425)
Cash and cash equivalents at beginning of year		96,189	116,075
Effect of exchange rate changes		(7,858)	4,539
Cash and cash equivalents at end of year		123,088	96,189
Analysis of balances of cash and cash equivalents			
Cash and bank balances		123,088	96,189

1. GENERAL

Future Data Group Limited (the "Company") was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (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 business of the Company and its subsidiaries (together the "Group") are located at Unit 801–809, 822, Mullae SKV1 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 2021, the directors of the Company considered the immediate holding company to be LiquidTech Limited ("LiquidTech"), incorporated in the British Virgin Islands ("B.V.I.), 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 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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

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.

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

(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 HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9 and Illustrative Examples accompanying HKFRS 16[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 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.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK 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.

HK Interpretation 5 (2020) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to HK Int 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 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies (Continued)

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The directors of the Company are currently assessing the impact and are yet to conclude whether or not the application of the amendments will have an impact on the consolidated financial statements.

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

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

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 is currently assessing the impact that the application of the amendments will have on the Group's 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 Group's 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 and revision in the future will have an impact on the financial statements.

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

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

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendments extend the practical expedient available to lessees in accounting for COVID-19-Related Rent Concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendments is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

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

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

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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain other financial assets which are measured at fair value as disclosed in the summary of significant accounting policies in note 4(h).

(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. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the note to the consolidated financial statements that disclose the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill (Continued)

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the shorter of lease terms or 5 years
Equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group as a lessee

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

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying assets on a straight line basis.

Lease liability

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

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 lease 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) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient in accordance with the amendment to HKFRS 16 COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(f) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Software platforms	5 years
Reacquired rights	2 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

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

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(v) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(g)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(g) Impairment of other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including right-of-use assets);
- intangible assets (other than goodwill);
- deposits paid for acquisition of properties; and
- investments in subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

(h) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All the Group's other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Investment in insurance policy

Investment in insurance policy is classified as FVTPL, whereby changes in fair value and related income are recognised in profit or loss. Fair value is based on the account value of the insurance policy provided by insurance company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade and bills receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other financial assets at amortised cost, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and geographical location of the debtor.

The Group considers a financial asset to be credit-impaired when:

- the debtor is in significant financial difficulty;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank borrowings and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of system integration and cyber security services

The Group provides system integration and cyber security services based on contracts entered into with customers before the commencement of the system integration or cyber security projects (the "Projects"). The Projects involve the Group to source and integrate suitable hardware and software components and configure them into a compatible system in accordance with the requirements of the customers. Such projects comprise a single performance obligation because the project implementation by the Group to deliver the required system specified by the customers involve a number of processes each of which are highly interdependent and highly interrelated to each other. Since the project implementation is carried out in the customers' sites, the customers have control over the projects. These contracts therefore satisfy the criteria for category (ii) for recognising revenue over time during the project implementation. Accordingly, the revenue generated from the Projects is recognised over time using the input method (i.e. percentage of completion is established by reference to the costs incurred up to the reporting date as compared to the total costs to be incurred under the contracts except where this would not be representative of the stage of completion). The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (Continued)

Provision of system integration and cyber security services (Continued)

Contract costs incurred comprise cost of hardware and software sourced from outside vendors, engineer cost and other costs of personnel directly engaged in the contracts and where applicable subcontracting cost and attributable overheads.

For warranty included in the system integration contracts, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the system integration work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with the policy set out in "Onerous contracts" below.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provision of maintenance services

The Group provides maintenance services based on contracts entered with customers. Under the terms of the contracts, the customers simultaneously receive and consume the benefits as and when the Group provides these services. Accordingly, the Group recognises revenue from maintenance services over time on a straight line basis over the terms of the maintenance contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (Continued)

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

(m) Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plans

The employees of Global Telecom Company Limited ("Global Telecom") are required to participate in a National Pension Scheme which is a defined contribution plan operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the National Pension Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (Continued)

Defined contribution retirement plans (Continued)

Future Data Limited ("Future Data") and Maximus (Hong Kong) Consulting Limited ("Maximus (HK)") operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. Future Data's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Defined benefit plan

In addition to the contributions under the National Pension Scheme, Global Telecom operates a defined benefit plan covering its employees in Korea. The cost of providing benefits is determined using the projected unit credit method. Remeasurements of the net defined benefit liability, which include actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The net interest expense on the net defined benefit liability is determined by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and service cost are recognised in profit or loss.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of plan assets.

(n) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and bank deposits with an original maturity of three months or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and the amounts are included in other income.

(p) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(q) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (Continued)

(c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Contracts for system integration and cyber security services

Revenue from contracts for system integration and cyber security services are recognised under the input method which requires estimation made by management. The Group's management estimates the contract costs, outcome and expected cost to complete the contacts based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcome and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognised.

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

Estimated impairment loss of trade and other receivables and contract assets

The impairment allowances for trade and other receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward-looking estimates at the end of each reporting period.

Estimated impairment of goodwill

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

Estimated current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

6. SEGMENT INFORMATION

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

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

(i) System integration;

(ii) Maintenance services; and

(iii) Cyber security services.

6. SEGMENT INFORMATION (CONTINUED)

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

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

The segment results are as follows:

(a) Business segments

For the year ended 31 December 2021

	System integration HK$'000	Maintenance services HK$'000	Cyber security services HK$'000	Total HK$'000
Total segment revenue	505,851	179,696	40,122	725,669
Inter-segment revenue	–	–	(5,100)	(5,100)
Revenue from external customers	505,851	179,696	35,022	720,569
Gross profit/segment results	29,291	40,945	14,052	84,288
Other income				2,484
Reversal of impairment losses of trade and bills receivables, net				2,262
Selling and administrative expenses				(72,522)
Finance costs				(808)
Profit before income tax				15,704
Income tax expense				(7,014)
Profit for the year				8,690

6. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

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	–	–	(7,297)	(7,297)
Revenue from external customers	487,951	164,085	27,017	679,053
Gross profit/segment results	23,202	45,348	8,372	76,922
Other income				6,558
Reversal of impairment losses of trade and bills receivables, net				276
Selling and administrative expenses				(73,983)
Finance costs				(746)
Profit before income tax				9,027
Income tax expense				(1,514)
Profit for the year				7,513

6. SEGMENT INFORMATION (CONTINUED)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets excluding other financial assets, loan to ultimate holding company, deposits for acquisition of properties, rental and other deposits, and deferred tax assets ("specified non-current assets").

	Revenue from external customers (by customers location)		Specified non-current assets	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Hong Kong	35,022	27,017	14,867	17,114
Korea	685,547	652,036	7,941	8,474
	720,569	679,053	22,808	25,588

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.

7. 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 2021 was as follows:

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

	2021 HK$'000	2020 HK$'000
Revenue from customers and recognised over time		
– Contract revenue from provision of system integration	505,851	487,951
– Contract revenue from provision of maintenance services	179,696	164,085
– Contract revenue from provision of cyber security services	35,022	27,017
	720,569	679,053

7. REVENUE (CONTINUED)

(a) (Continued)

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 and bills receivables, contract assets and contract liabilities from contracts with customers:

	2021 HK$'000	2020 HK$'000
– Trade and bills receivables (net of impairment) (note 22)	106,900	76,887
– Contract assets (note 24(a))	28,482	24,679
– Contract liabilities (note 24(b))	34,120	23,960

(b) Disaggregation of revenue

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

	2021				2020			
	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	369,406	170,656	–	540,062	385,139	157,145	–	542,284
– Security	136,445	9,040	35,022	180,507	102,812	6,940	27,017	136,769
Total revenue from contracts with customers	505,851	179,696	35,022	720,569	487,951	164,085	27,017	679,053
Type of customers								
– Public sector	170,936	116,290	–	287,226	232,564	98,381	–	330,945
– Private sector	334,915	63,406	35,022	433,343	255,387	65,704	27,017	348,108
Total revenue from contracts with customers	505,851	179,696	35,022	720,569	487,951	164,085	27,017	679,053
Contract duration								
– Within 12 months	483,238	140,720	28,599	652,557	464,926	137,041	21,103	623,070
– Over 12 months but less than 24 months	22,546	22,656	2,772	47,974	23,025	2,776	2,774	28,575
– Over 24 months	67	16,320	3,651	20,038	–	24,268	3,140	27,408
Total revenue from contracts with customers	505,851	179,696	35,022	720,569	487,951	164,085	27,017	679,053

7. REVENUE (CONTINUED)

(c) Transaction price allocated to the remaining performance obligations

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

	2021 HK$'000	2020 HK$'000
Provision of system integration	86,379	58,391
Provision of maintenance services	29,763	88,877
Provision of cyber security services	17,237	18,856
	133,379	166,124

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$133,379,000 (2020: HK$166,124,000) allocated to the contracts under system integration, maintenance services and cyber security services as at 31 December 2021 will be recognised as revenue on or before 31 January 2026 (2020: on or before 31 August 2023).

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income	803	453
Gain on foreign exchange, net	–	2,763
Fair value gain on other financial assets	98	127
Government grants (note)	–	737
Miscellaneous gains, net	1,583	2,478
Total	2,484	6,558

Note: The amount included government grants of HK$687,000 obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees for the year ended 31 December 2020. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program as at 31 December 2020.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on borrowings	704	663
Interest on lease liabilities (note 30(c))	104	83
Total	808	746

10. PROFIT BEFORE INCOME TAX

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

	2021 HK$'000	2020 HK$'000
Carrying amount of inventories sold	534,263	514,261
Provision for impairment of inventories	537	1,919
Costs of inventories recognised as expenses	534,800	516,180
Employee costs (note 11)	103,668	98,812
Depreciation charge (note 16):		
– Owned property, plant and equipment	1,808	2,338
– Right-of-use assets	2,510	2,357
	4,318	4,695
Amortisation of intangible assets (note 17)	4,005	4,848
Auditor's remuneration	1,127	1,028
Research and development costs (note)	5,167	5,146
Subcontracting costs	39,239	27,320
Bad debt expenses	–	192
Reversal of impairment losses of trade and bills receivables, net	(2,262)	(276)
Impairment on intangible assets (note 17)	–	911
Interest on lease liabilities (note 30(c))	104	83
Net loss on disposal of other financial assets	26	11
Net loss on disposal of property, plant and equipment	–	5
Fair value gain on other financial assets	(98)	(127)
Net loss/(gain) on foreign exchange	303	(2,763)
Short-term leases expenses (note 30(c))	492	645
Low-value assets leases expenses (note 30(c))	23	32

Note: Research and development costs included employee costs of approximately HK$3,208,000 for the year ended 31 December 2021 (2020: HK$2,897,000) as disclosed above.

11. EMPLOYEE COSTS

	2021 HK$'000	2020 HK$'000
Employee costs (including directors) comprise:		
Wages and Salaries		
– Charged to profit or loss	82,812	83,711
Contributions to defined contribution retirement plans	2,735	2,580
Defined benefit costs (note 29)	10,800	4,990
Other benefits	7,321	7,531
Total	103,668	98,812

12. INCOME TAX EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current tax		
– Korea	2,917	2,339
– Hong Kong	316	–
	3,233	2,339
Under-provision in prior years		
– Korea	3,245	–
Deferred tax (note 28)		
– Korea	1,225	(146)
– Hong Kong	(689)	(679)
	536	(825)
Income tax expense	7,014	1,514

Global Telecom is subject to Korea Corporate Income Tax which comprised national and local taxes (collectively "Korea Corporate Income Tax"). Korea 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 2021. The Korea Corporate Income Tax rates applicable to Global Telecom for the year ended 31 December 2021 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 2021 (2020: KRW200 million (equivalent to approximately HK$1.3 million));

12. INCOME TAX EXPENSE (CONTINUED)

- 22% on assessable profit in excess of KRW200 million (equivalent to approximately HK$1.4 million) for the year ended 31 December 2021 (2020: KRW200 million (equivalent to approximately HK$1.3 million)) and up to KRW20 billion (equivalent to approximately HK$135.6 million) for the year ended 31 December 2021 (2020: KRW20 billion (equivalent to approximately HK$131.7 million)); and

- 24.2% on assessable profit in excess of KRW20 billion (equivalent to approximately HK$135.6 million for the year ended 31 December 2021 (2020: KRW20 billion (equivalent to approximately HK$131.7 million)).

The under-provision of Korea Corporate Income Tax in prior years of HK$3,245,000 arose from the difference in the applied tax credit rate on social insurance premiums for small and medium enterprises in Korea by Global Telecom for the years of 2019 and 2020 (the "Rates"); and the Rates reviewed and approved by the Korea tax authority during the current year. Under the Korea Corporate Income Tax rules, the eligible tax credit rate on social insurance premiums applied to Global Telecom ranged from 9.8% to 10.3% in the years of 2019 and 2020. The Rates applied to Global Telecom depends on the combination of a variety elements (e.g. national health insurance and pension, employment insurance and industrial accident compensation) and the final determination on the deductibility by the Korea tax authority.

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

12. INCOME TAX EXPENSE (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Profit before income tax	15,704	9,027
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	3,531	2,358
Tax effect of expenses not deductible for tax purposes	1,118	2,076
Utilisation of tax losses previously not recognised	(377)	–
Effect on two-tiered Hong Kong profit tax rates	(165)	–
Withholding tax on dividend declared by a subsidiary	842	792
Under-provision in prior years	3,245	–
Tax credit	(1,090)	(3,713)
Others	(90)	1
Income tax expense for the year	7,014	1,514

13. DIVIDENDS

The directors do not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

14. BASIC AND DILUTED EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	7,250	7,876

	2021 Number '000	2020 Number '000
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 2021 and 2020 represents 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 2021 and 2020.

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' emoluments is disclosed as follows:

For the year ended 31 December 2021

	Fees	Basic salaries, allowances and other benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Suh Seung Hyun	–	2,369	1,911	14	4,294
Mr. Phung Nhuong Giang	–	1,200	–	–	1,200
Mr. Lee Seung Han	–	2,575	1,926	14	4,515
Mr. Ryoo Seong Ryul	–	1,227	709	14	1,950
Mr. Tao Guolin (note (i))	–	140	–	–	140
Total	–	7,511	4,546	42	12,099
Independent non-executive directors:					
Mr. Wong Sik Kei	120	–	–	–	120
Mr. Sum Chun Ho	120	–	–	–	120
Mr. Yung Kai Tai	120	–	–	–	120
Total	360	–	–	–	360

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Directors' emoluments (Continued)

For the year ended 31 December 2020

	Fees	Basic salaries, allowances and other benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Suh Seung Hyun	–	1,296	86	859	2,241
Mr. Phung Nhuong Giang	–	1,020	–	–	1,020
Mr. Lee Seung Han	–	1,491	87	859	2,437
Mr. Ryoo Seong Ryul	–	911	69	201	1,181
Total	–	4,718	242	1,919	6,879
Independent non-executive directors:					
Mr. Wong Sik Kei	120	–	–	–	120
Mr. Sum Chun Ho	120	–	–	–	120
Mr. Yung Kai Tai	120	–	–	–	120
Total	360	–	–	–	360

Notes:

(i) Mr. Tao Guolin was appointed as an executive director of the Company on 25 August 2021.

(ii) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 3 (2020: 3) directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 2 (2020: 2) individuals is as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	3,097	2,332
Contribution to pension schemes	1,277	151
	4,374	2,483

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

	2021 No. of individuals	2020 No. of individuals
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	1	–

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year (2020: Nil).

Senior management emoluments

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

	2021 No. of individuals	2020 No. of individuals
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	1	3
HK$1,500,001 to HK$2,000,000	2	–
HK$2,500,001 to HK$3,000,000	1	–

16. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 January 2020	4,146	1,372	27,843	1,095	1,512	35,968
Additions	5,095	548	978	229	70	6,920
Transferred from inventories	–	–	555	–	–	555
Disposals	–	(598)	(14,645)	(491)	–	(15,734)
Exchange realignment	469	30	396	19	83	997
At 31 December 2020 and 1 January 2021	9,710	1,352	15,127	852	1,665	28,706
Additions	1,209	43	982	60	–	2,294
Exchange realignment	(618)	(49)	(1,135)	(39)	(125)	(1,966)
At 31 December 2021	10,301	1,346	14,974	873	1,540	29,034
Accumulated depreciation:						
At 1 January 2020	2,417	1,256	23,164	904	1,512	29,253
Charge for the year	2,357	173	1,954	139	72	4,695
Disposals	–	(598)	(14,640)	(491)	–	(15,729)
Exchange realignment	250	(5)	198	4	81	528
At 31 December 2020 and 1 January 2021	5,024	826	10,676	556	1,665	18,747
Charge for the year	2,510	136	1,609	63	–	4,318
Exchange realignment	(381)	(13)	(832)	(22)	(125)	(1,373)
At 31 December 2021	7,153	949	11,453	597	1,540	21,692
Net carrying amount:						
At 31 December 2021	3,148	397	3,521	276	–	7,342
At 31 December 2020	4,686	526	4,451	296	–	9,959

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

	Properties leased for own use HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020	889	840	1,729
Additions	4,270	825	5,095
Depreciation (note 30(c))	(2,125)	(232)	(2,357)
Exchange realignment	131	88	219
At 31 December 2020 and 1 January 2021	3,165	1,521	4,686
Additions	1,209	–	1,209
Depreciation (note 30(c))	(2,149)	(361)	(2,510)
Exchange realignment	(135)	(102)	(237)
At 31 December 2021	2,090	1,058	3,148

17. INTANGIBLE ASSETS

	Reacquired right of software HK$'000	Software platforms (note i) HK$'000	Total HK$'000
Cost:			
At 1 January 2020, 31 December 2020 and 2021	1,950	20,268	22,218
Accumulated amortisation and impairment:			
At 1 January 2020	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 and 1 January 2021	950	13,173	14,123
Amortisation charge for the year	600	3,405	4,005
At 31 December 2021	1,550	16,578	18,128
Net carrying amount:			
At 31 December 2021	400	3,690	4,090
At 31 December 2020	1,000	7,095	8,095

17. INTANGIBLE ASSETS (CONTINUED)

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 10) 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.

18. GOODWILL

	2021 HK$'000	2020 HK$'000
Net carrying amount		
At 1 January 2020, 31 December 2020 and 2021	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:

	2021 HK$'000	2020 HK$'000
Cyber security – Hong Kong	7,534	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.

	Cyber security – Hong Kong %
2021	
Pre-tax discount rate	14.32
Long-term growth rate (note)	3.00
2020	
Discount rate (pre-tax)	13.52
Long-term growth rate (note)	3.00

18. GOODWILL (CONTINUED)

Impairment testing on goodwill (Continued)

Note: The long-term growth rate assumption applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the CGU. Long-term growth rates beyond the first five years are based on economic data pertaining to the region concerned.

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of the CGU as of the dates indicated. We showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as of the end of each year by applying a 0.5% and 1% increase or decrease in growth rate and pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of the CGU.

	Cyber security – Hong Kong 2021 HK$'000
Long-term growth rate (decrease)/increase	
(0.5)%	28,210
(1)%	26,210
0.5%	31,210
1%	33,210
Pre-tax discount rate (decrease)/increase	
(0.5)%	31,210
(1)%	34,210
0.5%	27,210
1%	25,210

As at 31 December 2021, the value in use of the CGU of HK$43,000,000 (2020: HK$16,000,000) exceeded its carrying amount of HK$13,790,000 (2020: HK$14,200,000), and hence the goodwill, property, plant and equipment and intangible assets other than fully-impaired software platform with IoT features (note 17) allocated to this CGU was not regarded as impaired.

19. OTHER FINANCIAL ASSETS – NON-CURRENT

	2021 HK$'000	2020 HK$'000
Financial assets measured at fair value through profit or loss		
– Unlisted equity securities (note (a))	4,554	4,821
– Investment in insurance policy (note (b))	–	2,586
	4,554	7,407

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

	2021 HK$'000	2020 HK$'000
Korea Software Financial Cooperative ("KSFC")	4,515	4,779
Korea Broadcasting & Communication Financial Cooperative ("KBCFC")	39	42
	4,554	4,821

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.

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

(a) (Continued)

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

	2021 HK$'000	2020 HK$'000
Description of guarantees which are related to projects of Global Telecom		
– Bidding guarantees	6,718	7,380
– Contract guarantees	123,530	130,638
– Defect guarantees	47,884	45,945
– Payment guarantees	72	78
– Prepayment guarantees	124,200	119,404
	302,404	303,445

All of the guarantees above are related to contracts entered into by Global Telecom and its customers for satisfying the performance obligations of contracts with customers except for payment guarantees that are given to subcontractors of Global Telecom, to secure the payments to subcontractors by Global Telecom which the corresponding liabilities to the subcontractors have been recorded in the Group's consolidated financial statement.

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 2021 can be measured reliably given that KSFC is required under Articles 33 and 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 2021. 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.

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

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

	2021 HK$'000	2020 HK$'000
Account value as at 31 December	–	2,586

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. The insurance policy is matured during the year and Global Telecom has received cash based on the account value as at date of maturity.

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policies are detailed in note 42.

20. DEPOSITS FOR ACQUISITION OF PROPERTIES

Pursuant to 17 agreements dated 14 May 2020 (the "Date of Agreements") entered into amongst Global Telecom and Korea Trust Company Limited ("Korea Trust") (as vendor and trustee of the Properties of SK D&D), SK D&D Company Limited ("SK D&D") (as property developer) and Taeyoung Engineering and Construction Company Limited ("Taeyoung Engineering") (as construction company) (collectively the "Agreements"), Global Telecom agreed to purchase and Korea Trust agreed to sell 17 office units, in relation to properties located at Think Factory Industrial Cluster Dangsan, Seoul, South Korea (the "Properties") at a total consideration of KRW12,532,830,000 (equivalent to approximately HK$88,833,000) including value-added tax (the "VAT") of KRW716,405,000 (equivalent to approximately HK$5,078,000). The Properties are still under construction as at the Date of Agreements. The expected date of occupancy will be on or around October 2022 (the "Date of Closing"). Global Telecom has paid an initial payment of KRW1,253,283,000 (equivalent to approximately HK$8,883,000) including VAT of KRW71,641,000 (equivalent to approximately HK$508,000) as at the Date of Agreements by cash and the first intermediate payment of KRW1,253,283,000 (equivalent to approximately HK$8,883,000) including VAT of KRW71,641,000 (equivalent to approximately HK$508,000) on 13 October 2020 which were financed by bank borrowings.

Based on the Korean legal opinion obtained by the Company, Global Telecom can sell the Properties before Date of Closing to third parties after obtaining written consent from the vendor. New agreements would be entered into amongst the new buyers and the vendor. Upon completion of the disposals, the new buyers shall assume and perform all the payment obligations and liabilities of Global Telecom to pay the vendor the remaining purchase price and Global Telecom therefore cease to have any payment obligations and liabilities under the original agreements. On 8 December 2020, Global Telecom entered into two disposal agreements with new buyers, pursuant to which Global Telecom agreed to transfer all of its rights and obligations under the Agreements in respect of total 6 office units (the "Disposed Properties") to the new buyers for a total purchase price of KRW935,546,000 (equivalent to approximately HK$6,630,000) including VAT of KRW53,377,000 (equivalent to approximately HK$378,000) (the "Disposals") and received by 14 December 2020, and the new buyers shall assume and perform all payment obligations and liabilities of Global Telecom in relation to the Disposed Properties and pay the remaining payments of KRW3,742,184,000 (equivalent to approximately HK$26,525,000) in accordance with the terms and conditions of the disposal agreements.

The Disposed Properties were sold at cost to Global Telecom and no gain or loss has been recognised in profit or loss during the year ended 31 December 2020. The Group has no plan to sell the remaining 11 office units within the next year. As at 31 December 2020, the total amount of initial payment and first intermediate payment (net of disposed portion) (i.e. KRW1,481,115,000 (approximately HK$10,498,000) are recognised as deposits for acquisition of properties under non-current assets.

20. DEPOSITS FOR ACQUISITION OF PROPERTIES (CONTINUED)

As at 31 December 2021, additional amounts of second intermediate payment and third intermediate payment with aggregate amount of KRW1,481,115,000 (approximately HK$10,043,000, which were financed by bank borrowings, are recognised as deposits for acquisition of properties under non-current assets.

The table below illustrates the breakdown of each of the amounts which form deposits paid and capital commitments as at 31 December 2021 and 2020:

	Amount (excluding VAT) HK$'000	VAT HK$'000	Amount (including VAT) HK$'000
Total deposits (initial payment and first intermediate payment) paid before the Disposals	16,750	1,016	17,766
Less: deposits (initial payment and first intermediate payment) received upon the Disposals	6,252	378	6,630
Net deposits (initial payment and first intermediate payment) paid after the Disposals and as at 31 December 2020 and 1 January 2021	10,498	638	11,136
Add: deposits (second intermediate payment and third intermediate payment) paid	10,043	610	10,653
Add: Exchange realignment	(1,121)	(69)	(1,190)
Net deposits paid as at 31 December 2021	19,420	1,179	20,599
Total purchase price of the Properties			88,833
Less: total deposits paid (initial payment and first intermediate payment)			17,766
Less: remaining unpaid purchase price of the Disposed Properties			26,525
Capital commitments as at 31 December 2020 and 1 January 2021(note 39)			44,542
Less: total deposits paid during the year (second intermediate payment and third intermediate payment)			10,653
Less: Exchange realignment			2,990
Capital commitments as at 31 December 2021 (note 39)			30,899

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Inventories		
– Hardware and software	13,982	15,812

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade receivables	120,015	95,078
Bills receivables	3,759	2,380
Less: Provision for impairment	(16,874)	(20,571)
Trade and bills receivables, net (note (a))	106,900	76,887
Short-term loans to employees (note (b))	–	248
Accrued interest	629	140
Rental and other deposits	2,437	2,360
Other receivables	190	178
Total trade and other receivables (note (c))	110,156	79,813
Prepayments (note d)		
– Non-current	3,842	–
– Current	13,020	14,273
	16,862	14,273

(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 and bills receivables, net of impairment provision, is as follows:

	2021 HK$'000	2020 HK$'000
0–90 days	102,337	74,695
91–180 days	4,006	1,558
181–365 days	557	516
1–2 years	–	118
	106,900	76,887

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) The loans to employees of Global Telecom are fully secured by the employees' entitlement to retirement benefit, carry market interest rate at 6.9% per annum as at 31 December 2020 and repayable within one year from the respective dates of drawdown of loans. During the year, the loans to employees have been fully settled.

(c) The Group recognised impairment, if any, of trade and bills receivables and other receivables for the years ended 31 December 2021 and 2020 based on the accounting policy stated in note 4(h). Further details are set out in note 41(a).

(d) The prepayments included prepaid costs for maintenance services and cyber security services of the Group which had subcontracted to outsider service providers.

23. LOAN TO ULTIMATE HOLDING COMPANY

	As at 1 January 2021 HK$'000	As at 31 December 2021 HK$'000	Maximum outstanding amount during the year HK$'000
Loan to ultimate holding company, AMS	8,869	5,829	8,869

Notes:

(a) The loan to AMS is unsecured, interest bearing at 5% per annum. AMS has settled US$400,000 (equivalent to HK$2,951,000) during the year and the remaining amount is repayable on 7 October 2022. The loan is denominated in United States Dollars with total amount of US$1,150,000.

(b) As at 31 December 2021 and 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.

(c) The Group recognised impairment loss of loan to AMS, if any, for the years ended 31 December 2021 and 2020 based on the accounting policy stated in note 4(h). Further details are set out in note 41(a).

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets		
Arising from performance under system integration	23,108	22,137
Arising from performance under cyber security services	5,374	2,542
	28,482	24,679

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

The Group recognised impairment of contract assets, if any, for the years ended 31 December 2021 and 2020 based on the accounting policy stated in note 4(h). Further details are set out in note 41(a).

24. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities		
Billings in advance of performance under system integration	23,189	14,260
Billings in advance of performance under cyber security	10,931	9,700
	34,120	23,960

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

	2021 HK$'000	2020 HK$'000
Movements in contract liabilities		
As at 1 January	23,960	30,443
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(20,700)	(29,394)
Increase as a result of billing in advance of revenue recognition of system integration and cyber security services	32,274	24,123
Exchange realignment	(1,414)	(1,212)
As at 31 December	34,120	23,960

25. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	60,044	72,478
Accruals and other payables	16,230	20,965
Advance receipts	346	572
Value-added tax payables	7,465	2,683
	84,085	96,698

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:

	2021 HK$'000	2020 HK$'000
0–30 days	54,077	62,418
31–60 days	4,280	3,528
61–90 days	213	3,760
91–180 days	190	1,371
181–365 days	219	494
Over 1 year	1,065	907
	60,044	72,478

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.

26. LOAN FROM A SHAREHOLDER

The Company has entered into a loan agreement dated 18 November 2021 with Mr. Tao Guolin, one of the shareholder and executive director of the Company, pursuant to which Mr. Tao Guolin agreed to provide the Company with an unsecured and interest-free shareholder's loan of HK$5,000,000 for the purpose of supporting the Group's business development. The loan from a shareholder constituted a connected transaction under Chapter 20 of the GEM Listing Rules.

The loan from a shareholder is denominated in Hong Kong Dollars and is repayable on 30 November 2023.

27. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Current – unsecured:		
– Bank loans (note (a))	68,383	24,722
Non-current – unsecured:		
– Bank loans (note (c))	15,449	5,568
Total borrowings	83,832	30,290

(a) Bank loans are carried at amortised cost.

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

	Amount	Interest rate	Repayable in
2021			
Bank A	US$ 2,981,932	SOFR plus 1.48% per annum	March 2022
Bank A	US$ 1,460,946	SOFR plus 1.48% per annum	September 2022
Bank B	US$ 1,791,417	SOFR plus 1.58% per annum	April 2022
Bank C	US$1,883,180	SOFR plus 0.40% per annum	April 2022
Bank D	US$ 681,040	3-month LIBOR plus 1.9% per annum	May 2022
Bank E	KRW2,356,530,000	6-month COFIX plus 3.36% per annum	January 2023
2020			
Bank A	US$703,382	KORIBOR base rate plus 1.30% per annum	September 2021
Bank B	US$477,413	3-month LIBOR plus 1.73% per annum	April 2021
Bank D	US$314,622	3-month LIBOR plus 2.0% per annum	November 2021
Bank E	US$1,398,783	3-month LIBOR plus 0.5% per annum	April 2021
Bank E	US$311,624	3-month LIBOR plus 2.07% per annum	July 2021
Bank E	KRW785,510,000	6-month COFIX plus 2.19% per annum	January 2023

(b) As at 31 December 2020, Korea Credit Guarantee Fund ("KCGF"), 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 for import financing facilities and bank loans provided to Global Telecom. As at 31 December 2021, no guarantees were provided by KCGF 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 3.36% (2020: 2.19%) per annum, unsecured and due to be settled on or before 31 January 2023.

28. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets/(liabilities) recognised and movements during the current and prior year are as follows:

	Amortisation of intangible assets HK$'000	Accelerated tax depreciation HK$'000	Provision for impairment of trade and bills receivables HK$'000	Provision for incentive bonus HK$'000	Provision for impairment of inventories HK$'000	Tax losses carried forward (note a) HK$'000	Undistributed profits of foreign operation (note b) HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	(2,286)	(28)	4,284	1,216	1,088	2,077	–	431	6,782
Credited/(charged) to profit or loss for the year (note 12)	950	12	(153)	909	422	(211)	(792)	(312)	825
Credited to equity for the year	–	–	–	–	–	–	–	233	233
Exchange realignment	–	1	209	148	87	–	–	(2)	443
At 31 December 2020	(1,336)	(15)	4,340	2,273	1,597	1,866	(792)	350	8,283
At 1 January 2021	(1,336)	(15)	4,340	2,273	1,597	1,866	(792)	350	8,283
Credited/(charged) to profit or loss for the year (note 12)	661	34	(517)	(757)	(61)	(85)	132	57	(536)
Charged to equity for the year	–	–	–	–	–	–	–	(57)	(57)
Exchange realignment	–	–	(306)	(170)	(118)	–	–	(4)	(598)
At 31 December 2021	(675)	19	3,517	1,346	1,418	1,781	(660)	346	7,092

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	7,092	8,500
Deferred tax liabilities	–	(217)

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

Notes:

(a) As at 31 December 2021, the Group had tax losses arising in Hong Kong of HK$10,791,000 (2020: HK$11,309,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets of approximately HK$1,781,000 (2020: HK$1,866,000) have been recognised for tax losses arising from a subsidiary in Hong Kong as management expects that availability of future profit streams is highly probable in the foreseeable future.

(b) According to Korean Corporate Income Tax, the Group is subject to a withholding tax at 22%, unless reduced by tax treaties or arrangements, for dividends distributed by a Korean enterprise to its immediate holding company outside Korea. Since, the Group controls the dividend policy of the Group's Korean subsidiary, deferred tax liability arising from the undistributed profits of the Group's Korean subsidiary is only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 December 2021, deferred tax liability of HK$29,800,000 (2020: HK$27,600,000) has not been recognised on temporary differences relating to the remaining undistributed earnings of a foreign subsidiary in Korea because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. DEFINED BENEFIT OBLIGATIONS

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

Global Telecom must carry out a funding valuation using a prescribed method each year and if the fair value of the plan assets is below 95% of the present value of defined benefit obligation which is the standard required reserve under ERBSA as at 31 December 2021 and 2020, Global Telecom must develop a financial stabilisation plan to make up the deficiency within three years.

The Plan exposes Global Telecom to actuarial risks, such as interest rate risk and longevity risk.

As a result of the Plan characteristics, Global Telecom does not use any asset-liability matching strategies involving annuities or other techniques.

29. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The Plan is funded by contributions from the Group with reference to an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the Plan was as at 31 December 2021 and prepared by qualified staff of Towers Watson, who is a member of Society of Actuaries and a member of Institute of Actuaries of Korea, using the projected unit credit method. The actuarial valuations as at 31 December 2021 indicate that the Group's obligations under the Plan are approximately 99% (2020: 100%) covered by the Plan assets held by the trustee as at the respective reporting date.

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

	2021 HK$'000	2020 HK$'000
Present value of defined benefit obligations	37,630	34,946
Fair value of plan assets	(37,303)	(34,780)
Defined benefit obligations liability as at 31 December	327	166

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately HK$8,137,000 in contributions to the Plan in 2022.

The Group's contributions for the year ended 31 December 2021 amounted to approximately HK$10,363,000 (2020: HK$7,048,000).

The principal financial assumptions used in the actuarial valuation as at 31 December 2021 for the purpose of the accounting disclosures were as follows:

	2021	2020
Discount rate	2.50%	1.75%
Rate of salary increase	5.00%	5.00%

29. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

For purpose of determining the defined benefit obligations, the following participant data has been applied as at 31 December 2021:

	2021	2020
Number of staff	174	187
Total annual plan salary	HK$58,986,000	HK$56,896,000
Average annual plan salary	HK$339,000	HK$304,000
Average age (count weighted)	39.57 years	39.22 years
Average credited services (count weighted)	4.28 years	3.91 years

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

	2021 HK$'000	2020 HK$'000
Current service costs	5,327	4,967
Administration costs	184	165
Interest on assets	(715)	(701)
Interest costs	533	559
Settlements	5,471	–
Total amount recognised in profit or loss (note 11)	10,800	4,990
Actuarial losses (net of tax) recognised in other comprehensive income	(202)	826
Total defined benefit costs	10,598	5,816

The current service costs, administration costs and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of comprehensive income:

	2021 HK$'000	2020 HK$'000
Cost of sales	3,749	3,049
Selling and administrative expenses	7,051	1,941
	10,800	4,990

29. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
As at 1 January	34,946	31,044
Pension costs charged to profit or loss:		
Service costs	5,327	4,967
Net interest	533	559
Sub-total	40,806	5,526
Benefits paid	(5,182)	(4,208)
Actuarial changes arising from changes in demographic assumptions	–	(494)
Actuarial changes arising from changes in financial assumptions	(1,116)	377
Actuarial changes arising from experience adjustments	456	952
Exchange realignment	2,666	1,749
As at 31 December	37,630	34,946

The weighted average duration of the defined benefit obligations is 4.26 years (2020: 4.78 years).

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

	2021 HK$'000	2020 HK$'000
As at 1 January	34,780	29,863
Pension costs charged to profit or loss:		
Administrative costs	(184)	(165)
Net interest	715	701
Sub-total	35,311	536
Benefits paid	(5,182)	(4,208)
Actuarial changes arising from changes in financial assumptions	(402)	(224)
Contribution from employer	10,363	7,048
Exchange realignment	(2,787)	1,765
As at 31 December	37,303	34,780

29. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The assets of the Plan are as follows:

	2021 HK$'000	2020 HK$'000
Term deposit	37,303	34,780

Sensitivity analysis on actuarial assumptions used in determining defined benefit obligations for the Plan as at 31 December 2021 are set out as follows:

	Percentage change	2021 HK$'000	2020 HK$'000
Discount rate	+1%	(1,603)	(1,508)
	-1%	1,637	1,542
Rate of salary increase	+1%	1,779	1,647
	-1%	(1,751)	(1,619)

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

30. LEASES

The Group as a lessee

Nature of leasing activities

The Group leases a number of properties and vehicle in Korea and Hong Kong. Lease contracts are typically made for a fixed period which ranged from 2 to 5 years.

(a) Right-of-use assets

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

	2021 HK$'000	2020 HK$'000
Properties leased for own use, carried at depreciated cost	2,090	3,165
Motor vehicles, carried at depreciated cost	1,058	1,521

(b) Lease liabilities

	Properties leased for own use HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020	842	812	1,654
Additions	3,935	825	4,760
Lease payments	(2,014)	(240)	(2,254)
Interest expense	56	27	83
Exchange realignment	119	88	207
At 31 December 2020 and 1 January 2021	2,938	1,512	4,450
Additions	1,194	–	1,194
Lease payments	(2,050)	(378)	(2,428)
Interest expense	68	36	104
Exchange realignment	(124)	(102)	(226)
At 31 December 2021	2,026	1,068	3,094

30. LEASES (CONTINUED)

The Group as a lessee (Continued)

Nature of leasing activities (Continued)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

2021

	Minimum lease payments 31 December 2021 HK$'000	Interest 31 December 2021 HK$'000	Present value 31 December 2021 HK$'000
Not later than one year	2,293	57	2,236
Later than one year and not later than two years	500	16	484
Later than two years and not later than five years	382	8	374
	3,175	81	3,094

2020

	Minimum lease payments 31 December 2020 HK$'000	Interest 31 December 2020 HK$'000	Present value 31 December 2020 HK$'000
Not later than one year	2,511	113	2,398
Later than one year and not later than two years	1,270	53	1,217
Later than two years and not later than five years	860	25	835
	4,641	191	4,450

30. LEASES (CONTINUED)

The Group as a lessee (Continued)

Nature of leasing activities (Continued)

(b) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	2,236	2,398
Non-current liabilities	858	2,052
	3,094	4,450

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities (note 9)	104	83
Depreciation charge of right-of-use assets (note 16)	2,510	2,357
Short-term leases expenses (note 10)	492	645
Low-value assets leases expenses (note 10)	23	32

31. SHARE CAPITAL

	Number '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2020 and 2021	5,000,000	50,000
Ordinary shares, issued and fully paid:		
At 31 December 2020 and 2021	400,000	4,000

32. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the Company on 21 June 2016.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 21 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Interests in subsidiaries		57,639	57,639
Current assets			
Deposit and prepayments		224	223
Amounts due from subsidiaries		10,458	10,997
Cash and cash equivalents		4,724	86
		15,406	11,306
Current liabilities			
Accruals		2,699	1,523
Net current assets		12,707	9,783
Total assets less current liabilities		70,346	67,422
Non-current liabilities			
Deferred tax liabilities		660	792
Loan from a shareholder		5,000	–
		5,660	792
Net assets		64,686	66,630
Capital and reserves			
Share capital	31	4,000	4,000
Reserves	34	60,686	62,630
Total equity		64,686	66,630

On behalf of the board of directors

Mr. Phung Nhuong Giang
Director

Mr. Lee Seung Han
Director

34. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(b) Capital reserve represents (i) the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the group reorganisation and (ii) the effect of capitalisation of loan from AMS of approximately HK$10,171,000.

(c) Pursuant to the Special Tax Treatment Control Law in Korea, Global Telecom is allowed to appropriate retained earnings as a reserve for research and manpower development. This reserve is not available for the payment of dividends but to be used for specified purposes or reversed back to retained earnings.

(d) The foreign exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations from KRW to the presentation currency, HK$.

(e) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilised for cash dividend but may only be used to offset a deficit, if any, or be transferred to capital.

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

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	35,718	57,639	(28,722)	64,635
Loss for the year	–	–	(2,005)	(2,005)
At 31 December 2020 and 1 January 2021	35,718	57,639	(30,727)	62,630
Loss for the year	–	–	(1,944)	(1,944)
At 31 December 2021	35,718	57,639	(32,671)	60,686

Note: The contributed surplus of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the group reorganisation.

35. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	% of ownership interest 2021	% of ownership interest 2020	Principal activities
SuperChips	B.V.I.	US$1	Directly 100%	Directly 100%	Investment holding
Maximus Group Consulting Limited ("Maximus Group")	B.V.I.	74,000 shares of US$1 each	Indirectly 64.86%	Indirectly 64.86%	Investment holding
Global Telecom	Republic of Korea	190,000 shares of KRW5,000 each	Indirectly 100%	Indirectly 100%	Provision of system integration and maintenance services
Future Data	Hong Kong	HK$10,441,395	Indirectly 100%	Indirectly 100%	Provision of cyber security services
Maximus HK	Hong Kong	HK$10,000	Indirectly 64.86%	Indirectly 64.86%	Provision of cyber security services
MXC Security (Singapore) Pte Ltd ("MXC Singapore")	Singapore	Singapore dollar 1	Indirectly 64.86%	Indirectly 64.86%	Provision of cyber security services

36. NON-CONTROLLING INTERESTS

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

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

	2021 HK$'000	2020 HK$'000
For the year ended 31 December		
Revenue	35,022	27,017
Profit/(loss) for the year	4,098	(1,134)
Profit/(loss) allocated to NCI	1,440	(363)
For the year ended 31 December		
Cash generated from/(used in) operating activities	2,040	(27)
Cash used in investing activities	(60)	–
Cash used in financing activities	(594)	(581)
Net cash inflows/(outflows)	1,386	(608)
As at 31 December		
Current assets	20,526	12,783
Non-current assets	1,134	2,570
Current liabilities	(15,663)	(12,616)
Non-current liabilities	(27)	(864)
Net assets	5,970	1,873
Accumulated non-controlling interests	2,098	658

37. RELATED PARTY TRANSACTIONS

(a) Save for the loan to ultimate holding company, AMS and the loan from a shareholder, as disclosed in notes 23 and 26, during the year, the Group entered into the following transaction with a related party.

Related party identity	Type of transaction	2021 HK$'000	2020 HK$'000
AMS	Interest income	541	94

(b) Compensation of key management personnel

The remuneration of directors and other members of key management for the year are set out in note 15.

38. NOTES SUPPORTING CASH FLOWS STATEMENT

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Loan from a shareholder HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2020	–	20,582	1,654
Changes from financing cash flows:			
Proceeds from bank borrowings	–	138,475	–
Repayment of bank borrowings	–	(130,431)	–
Interest paid	–	(663)	(83)
Repayment of principal portion of the lease liabilities	–	–	(2,171)
Total changes from financing cash flows	–	7,381	(2,254)
Other changes:			
Additions to leases liabilities	–	–	4,760
Finance costs	–	663	83
Exchange realignment	–	1,664	207
Total other changes	–	2,327	5,050
At 31 December 2020 and 1 January 2021	–	30,290	4,450
Changes from financing cash flows:			
Increase in loan from a shareholder	5,000	–	–
Proceeds from bank borrowings	–	229,987	–
Repayment of bank borrowings	–	(172,256)	–
Interest paid	–	(704)	(104)
Repayment of principal portion of the lease liabilities	–	–	(2,324)
Total changes from financing cash flows	5,000	57,027	(2,428)
Other changes:			
Additions to leases liabilities	–	–	1,194
Finance costs	–	704	104
Exchange realignment	–	(4,189)	(226)
Total other changes	–	(3,485)	1,072
At 31 December 2021	5,000	83,832	3,094

39. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Commitment for the acquisition of properties (note 20)	30,899	44,542

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2021 HK$'000	2020 HK$'000
Financial assets	8,869	–
Non-current		
Financial assets at amortised cost		
– Loan to ultimate holding company	–	8,869
Financial assets at FVTPL		
– Unlisted equity securities	4,554	4,821
– Insurance policy	–	2,586
	4,554	16,276
Current		
Financial assets at amortised cost		
– Trade and other receivables	110,156	79,813
– Contract assets	28,482	24,679
– Loan to ultimate holding company	5,829	–
– Fixed bank deposits	4,196	4,536
– Cash and cash equivalents	123,088	96,189
	271,751	205,217
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	76,274	93,443
– Bank borrowings	83,832	30,290
– Loan from a shareholder	5,000	–
Lease liabilities	3,094	4,450
	168,200	128,183

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Note: The carrying amounts of the financial assets included above approximate their fair values due to their short-term nature.

The carrying values of the financial liabilities (including current portion of bank borrowings) included above approximate their fair values due to their short-term nature.

The fair values of the non-current portion of bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank borrowings as at 31 December 2021 and 2020 were assessed to be insignificant. The carrying values of the non-current portion of bank borrowings also approximate their fair values as at 31 December 2021 and 2020.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant. The directors consider the credit risk on bills receivables is low since the banks which guarantee payments of bills receivables are of high credit rating.

Loan to ultimate holding company will be settled before 7 October 2022 and the Board will closely monitor the repayment progress to minimise the risk of default. The management considers the credit risk to be insignificant as there was no default history and no ECL is recognised.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Credit risk (Continued)

Trade and bills receivables and contract assets

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECLs. To measure the ECLs, the trade and bills receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The Group determined the expected credit loss rates of contract assets based on those rates applied to trade and bills receivables as contract assets and trade and bills receivables are from the same customer bases.

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

2021

	Expected credit loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Collective assessment			
Current (not past due)	0.11%	101,738	112
0–90 days past due	1.13%	4,526	51
91–180 days past due	7.09%	733	52
181–365 days past due	42.16%	204	86
Over 1 year past due	100%	1,873	1,873
		109,074	2,174
Individual assessment	100%	14,700	14,700
		123,774	16,874

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables and contract assets (Continued)

2020

	Expected credit loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Collective assessment			
Current (not past due)	0.39%	74,545	287
0–90 days past due	2.50%	1,921	48
91–180 days past due	7.28%	618	45
181–365 days past due	23.26%	86	20
1–2 years past due	77.63%	523	406
Over 2 years past due	100%	3,107	3,107
		80,800	3,913
Individual assessment	100%	16,658	16,658
		97,458	20,571

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables and contract assets (Continued)

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

	Trade and bills receivables HK$'000
As at 1 January 2020	20,234
Reversal of impairment losses recognised during the year, net	(276)
Exchange realignment	613
As at 31 December 2020 and 1 January 2021	**20,571**
Reversal of impairment losses recognised during the year, net	**(2,262)**
Exchange realignment	**(1,435)**
As at 31 December 2021	**16,874**

As at 31 December 2021 and 2020, no provision was made against the gross amount of contract assets because the Group has concluded that the ECL rate for trade and bills 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Other receivables

ECLs model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs is measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECLs is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs is measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 December 2021 and 2020, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and bank borrowings and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policy has been followed by the Group during the year and is considered by the directors to have been effective in managing liquidity risks.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective reporting date) and the earliest date the Group can be required to pay.

2021

	Carrying amount HK$'000	Total contractual undiscounted cash flows %	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Non-derivatives:				
Trade and other payables	76,274	76,274	76,274	–
Bank borrowings	83,832	99,399	83,950	15,499
Loan from a shareholder	5,000	5,000	–	5,000
Lease liabilities	3,094	3,175	2,293	882
	168,200	183,848	162,517	21,331

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

2020

	Carrying amount HK$'000	Total contractual undiscounted cash flows %	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Non-derivatives:				
Trade and other payables	93,443	93,443	93,443	–
Bank borrowings	30,290	35,905	30,337	5,568
Lease liabilities	4,450	4,641	2,511	2,130
	128,183	133,989	126,291	7,698

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. The interest rates and terms of repayment of interest-bearing bank borrowings and the lease of motor vehicles of the Group are disclosed in notes 27 and 30. The Group currently does not have an interest rate hedging policy.

In respect of cash flow interest rate risk, the following table illustrates the sensitivity of the Group's profit for the year, and other components of equity at the dates indicated due to a possible change in interest rates on its floating rate bank deposits and bank borrowings with all other variables held constant at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points		
+0.5%	(3,106)	(1,004)
-0.5%	3,106	1,004

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

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

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

(d) Foreign currency risk

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

To mitigate the Group's financial loss from exposure to unfavourable foreign exchange rate movement in KRW and US$, the Group added on a margin in the costing of the relevant part of the system integration projects which required purchases of hardware and software components to be settled in US$. The margin was supposed to be a cushion to safeguard against any unfavourable foreign exchange rate movement in KRW and US$ between the costing date and the relevant settlement date. In view of the limited size of each US$ denominated purchase, it is considered that it is not justifiable on a cost and benefit analysis to enter into foreign exchange hedging transactions for such purchases.

In respect of the business operation in Hong Kong, the transactions are primarily denominated in HK$ and US$. Since US$ is pegged to HK$, the corresponding foreign currency risk exposure is considered as minimal. Accordingly, the analysis below is prepared based on Global Telecom's foreign currency risk exposure only.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Summary of exposure

Global Telecom's financial assets and liabilities denominated in US$, translated into HK$ at the closing rates, are as follows:

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	1,604	7,065
Trade payables	(13,868)	(21,300)
Bank borrowings	(68,383)	(24,722)
Gross exposure from recognised financial assets and liabilities	(80,647)	(38,957)

The following table illustrates the sensitivity of the Group's profit for the year and equity in response to a 5% depreciation in Global Telecom's functional currency against US$. The 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2021 HK$'000	2020 HK$'000
Changes in exchange rate:		
KRW depreciates by 5% against US$	(3,145)	(1,519)
KRW appreciates by 5% against US$	3,145	1,519

The sensitivity analysis for the year ended 31 December 2021 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

42. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts as explained in note 40.

Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

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

2021

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	4,554	–	4,554

2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL (Non-current)				
– Unlisted equity security	–	4,821	–	4,821
– Insurance policies	–	2,586	–	2,586
	–	7,407	–	7,407

42. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

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

At 31 December 2021, the Group's unlisted equity security is grouped under Level 2 (2020: Level 2) category.

There were no transfers between levels during the year.

43. CAPITAL MANAGEMENT

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

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

The capital structure of the Group consists of debts, which includes bank borrowings and lease liabilities disclosed in notes 27 and 30 and equity of the Group, comprising share capital and reserves. The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

43. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratios which are determined as total borrowings (i.e. bank borrowings, loan from a shareholder and lease liabilities) to total equity of the Group as at 31 December 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Lease liabilities	3,094	4,450
Bank borrowings	83,832	30,290
Loan from a shareholder	5,000	–
Total borrowings	91,926	34,740
Total equity	142,037	143,786
Gearing ratio	65%	24%

44. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended 31 December 2021 were approved and authorised for issue by the board of directors on 24 March 2022.

SUMMARY OF FINANCIAL INFORMATION

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2021, as extracted from the audited consolidated financial statements, is set out below:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**720,569**	679,053	646,470	605,161	506,490
Net profit for the year	**8,690**	7,513	4,041	5,758	5,271
Assets and liabilities					
Total assets	**354,078**	300,065	300,591	350,029	316,004
Total liabilities	**212,041**	156,697	170,443	214,343	177,798
Total equity	**142,037**	143,368	130,148	135,686	138,206