

# ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8043



**First Quarterly Report**

**2018**

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

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

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This report, for which the directors (the “**Directors**”) of Atlinks Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “we” or “our”) 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. 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.

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# Financial Highlights

The Group's revenue increased from approximately EUR7.6 million for the three months ended 31 March 2017 to approximately EUR8.1 million for the three months ended 31 March 2018, representing an increase of approximately 6.0%. Such increase was mainly due to the increase in revenue generated in Latin America and other European countries.

The Group recorded a loss attributable to the equity holders of the Company of approximately EUR0.3 million for the three months ended 31 March 2018, compared to a loss of approximately EUR0.2 million for the three months ended 31 March 2017 primarily due to the non-recurring listing expenses recognised during the three months ended 31 March 2018. The Group's revenue is sensitive to seasonality, we experienced lower sales in the first three quarters of our financial year. As a result, it impacts on our operating results.

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2018.

# Management Discussion and Analysis

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018, together with the unaudited comparative figures for the corresponding period in 2017.

## BUSINESS REVIEW AND OUTLOOK

The Group’s revenues increased from approximately EUR7.6 million for the three months ended 31 March 2017 to approximately EUR8.1 million for the three months ended 31 March 2018, representing an increase of approximately 6.0%. Such increase was mainly due to the comparatively higher revenues generated in Latin America and other European countries.

The following table shows the breakdown of our revenue by product categories.

	Unaudited			
	For the three months ended 31 March 2018		2017	
	EUR'000	% of total revenue	EUR'000	% of total revenue
Home telephone	<b>6,728</b>	<b>83.4%</b>	6,628	87.1%
Office telephone	<b>747</b>	<b>9.3%</b>	790	10.4%
Others (Note)	<b>596</b>	<b>7.3%</b>	194	2.5%
<b>Total</b>	<b>8,071</b>	<b>100.0%</b>	7,612	100.0%

Note: Others include IP camera, IP baby monitor, elderly products and solutions, smart home solutions and conferencing phones.

The home telephone segment remained relatively stable at approximately EUR6.7 million, which represents approximately 83.4% of our total revenue for the three months ended 31 March 2018.

The Group’s sales of office telephones also remained relatively stable at approximately EUR 0.7 million, which represents approximately 9.3% of our total revenue for the three months ended 31 March 2018.

The sales of others product category grew by approximately 207.6%, mainly attributable to the expansion of range of devices under this segment, such as new elderly products. This category is expected to grow at a relatively fast rate in 2018.

The Group’s gross profit margin dropped slightly at approximately 26.9% for the three months ended 31 March 2018 as compared to that of approximately 28.3% for the three months ended 31 March 2017, mainly due to the increase in costs of materials and subcontracting charges.

The following table sets out the breakdown of the Group's revenue by geographical location of the shipment destination of our products covering all our business segments (*Note 1*).

	<b>Unaudited</b>			
	<b>For the three months ended 31 March</b>			
	<b>2018</b>		<b>2017</b>	
	<b>EUR'000</b>	<b>% of total revenue</b>	EUR'000	% of total revenue
France	<b>4,406</b>	<b>54.6%</b>	4,411	57.9%
Latin America ( <i>Note 2</i> )	<b>1,283</b>	<b>15.9%</b>	823	10.8%
Other European countries ( <i>Note 3</i> )	<b>1,868</b>	<b>23.1%</b>	1,580	20.8%
APAC/Russia/MEA ( <i>Note 4</i> )	<b>514</b>	<b>6.4%</b>	798	10.5%
<b>Total</b>	<b>8,071</b>	<b>100.0%</b>	7,612	100.0%

Notes:

1. The geographical breakdown was prepared based on shipping destination without taking into account the re-export or onward sales (if any) of our products by our customers.
2. Latin America includes Argentina, Chile, Mexico, Peru and others.
3. Other European countries includes but is not limited to Germany, Greece, Italy, Portugal, Spain and Switzerland but excludes France.
4. APAC/Russia/MEA includes but is not limited to the Asia Pacific Region, Russia and Middle East area.

Our sales to France represented approximately 54.6% of our total revenue for the three months ended 31 March 2018 as compared to that of approximately 57.9% for the three months ended 31 March 2017. In absolute terms, the revenue for the region remained stable for the three months ended 31 March 2018 as compared to the corresponding period in 2017.

Sales in other European countries increased by approximately 18.2% which was mainly driven by the new customers.

Our sales to Latin America for the three months ended 31 March 2018 has increased by approximately EUR0.5 million, with revenue of approximately EUR1.3 million, as compared to that of approximately EUR0.8 million for the three months ended 31 March 2017. The growth represents the increased orders from one of our major customers in the region as well as with new customers in the region.

The Group recorded unfavourable results from the Asia Pacific Region, Russia and Middle East area, which decreased by EUR0.3 million for the three months ended 31 March 2018 as compared to that of same period 2017 due to a decrease in orders from certain customers.

### **OUTLOOK**

We strategically strive to be one of the leading suppliers with design capability by enhancing our product management capabilities, increasing our market penetration in existing markets, expanding our customer base and exploring new overseas markets. We intend to expand our product range by developing telecommunications products targeted at the elderly market as well as the visually and hearing impaired, providing ancillary services to our telecommunications products, and developing and further strengthening the Swissvoice brand.

### **FINANCIAL REVIEW**

#### **Cost of Sales and Gross Profit**

The majority of the Group's cost of sales comprised of cost of inventories and depreciation and amortisation. The cost of sales increased by approximately 8.2% from approximately EUR5.5 million for the three months ended 31 March 2017 to approximately EUR5.9 million for the three months ended 31 March 2018, which is in line with the increase in revenue. The gross profit margin decreased from approximately 28.3% for the three months ended 31 March 2017 to approximately 26.9% for the three months ended 31 March 2018, which was mainly driven by the increase in costs of materials and subcontracting charges.

#### **Other Gain**

The fair value changes on derivative financial instruments reflects the hedging policy adopted by the Group on the fluctuation of Euros against USD. The management reviews the Group's exchange rate exposure with bankers on a regular basis.

#### **Selling and Distribution Expenses**

The selling and distribution expenses increased from approximately EUR0.8 million to EUR0.9 million for the three months ended 31 March 2017 and 2018, respectively, as participating in more trade shows in various countries and higher freight and transportation costs due to increased transportation costs globally in the three months ended 31 March 2018.

#### **Administrative Expenses**

The administrative expenses increased from approximately EUR1.6 million for the three months ended 31 March 2017 to approximately EUR1.8 million for the three months ended 31 March 2018, which was mainly due to the non-recurring listing expenses recognized during the three months ended 31 March 2018.

#### **Loss attributable to Equity Holders of the Company**

The Group recorded a loss of approximately EUR0.3 million for the three months ended 31 March 2018, compared to a loss of approximately EUR0.2 million for the three months ended 31 March 2017 primarily due to the non-recurring listing expenses recognized during the three months ended 31 March 2018.

The Group's management considers that the fair value changes on the derivative instrument does not reflect the operating profit of the Group. When comparing the operating profit/loss for the three months ended 2017 and the same period of 2018 without taking into account of the fair value changes on the derivative and the non-recurring listing expenses, the operating loss recorded are the same at approximately EUR0.04 million for the three months ended 31 March 2017 and 31 March 2018.

#### **Dividend**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2018.

### Use of Proceeds from the Listing

As stated in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group intends to use the proceeds to (i) develop its office telephone products; (ii) develop its elderly telecommunications products; (iii) strengthen and enhance its sales channels; (iv) expand its staff team; (v) develop its other products including IP cameras and smart home products; (vi) expand its geographical coverage; and for (vii) general working capital.

On 19 January 2018, 100,000,000 ordinary shares of the Company were allotted at HK\$0.5 and the net proceeds from Public Offer and Placing (as defined in the Prospectus) received by the Company were approximately HK\$23.1 million (after deduction of any related expenses). The Company intends to continue to apply the net proceeds in accordance with the proposed applications set out below.

Given that the Listing only took place in January 2018, during the three months ended 31 March 2018, the net proceeds had been received or utilised as follows:

	<b>Actual net proceeds allocated</b>	<b>Amount utilised up to 31 March 2018</b>	<b>Balance as at 31 March 2018</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Developing the office telephone products	2.9	–	2.9
Developing the elderly telecommunications products	5.3	(1.9)	3.4
Strengthening and enhancing our sales channels	3.7	(0.3)	3.4
Expanding the staff team	5.8	–	5.8
Developing the other products including IP cameras and smart home products	1.3	–	1.3
Expanding the geographical coverage	3.0	–	3.0
General working capital	1.1	(0.4)	0.7
	<b>23.1</b>	<b>(2.6)</b>	<b>20.5</b>

# Other Information

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares for the three months ended 31 March 2018.

## SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was conditionally adopted pursuant to a resolution passed by the Company's shareholders on 21 December 2017 for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of the Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

Due to the complications and net tax effect to implement the Share Option Scheme in various jurisdictions, the Group has put on hold the implementation to a later stage pending resolution of the aforesaid. Consequently, no share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme during the three months ended 31 March 2018. As at 31 March 2018, the Company has no outstanding share option under the Share Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 March 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be 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 in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long positions in shares of the Company

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities	Approximate percentage of shareholding
Didier Paul Henri Goujard ("Mr. Goujard") (Note 1)	Eiffel Global Limited ("Eiffel Global")	Interest in a controlled corporation	1,183 ordinary shares	11.83%
Jean-Alexis René Robert Duc ("Mr. Duc") (Note 2)	Eiffel Global	Beneficial owner	967 ordinary shares	9.67%
Ho Dora ("Ms. Ho") (Note 2)	Eiffel Global	Beneficial owner	350 ordinary shares	3.5%

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities	Approximate percentage of shareholding
Long Hak Kan (" <b>Mr. Long</b> ") (Note 2)	Our Company	Interest of spouse	300,000,000 ordinary shares	75%
	Eiffel Global	Interest of spouse	7,500 ordinary shares	75%
	Talent Ocean Holdings Limited (" <b>TOHL</b> ")	Interest of spouse	1,000 ordinary shares	100%

*Notes:*

- (1) These Shares were held by Argento Investments Limited ("**AIL**"), which is wholly-owned by Mr. Goujard.
- (2) These Shares were held by Eiffel Global, which was in turn owned as to 75% by TOHL, 11.83% by AIL, 9.67% by Mr. Duc and 3.5% by Ms. Ho. TOHL is wholly-owned by Chu Lam Fong ("**Ms. Chu**"). Mr. Long is the spouse of Ms. Chu. He is deemed or taken to be interested in the Shares of which Ms. Chu is interested in under the SFO.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### **DIRECTORS' INTERESTS IN CONTRACTS**

There is no contract of significance to which the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the three months ended 31 March 2018.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 March 2018, to the best of the Directors' knowledge, the following shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

## Other Information

### Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Eiffel Global	Beneficial owner	300,000,000	75%
TOHL ( <i>Note 1</i> )	Interest of controlled corporation	300,000,000	75%
Ms. Chu ( <i>Note 2</i> )	Interest of controlled corporation	300,000,000	75%
Mr. Long ( <i>Note 3</i> )	Interest of spouse	300,000,000	75%

#### Notes:

1. TOHL is deemed or taken to be interested in all the Shares which are beneficially owned by Eiffel Global under the SFO. Eiffel Global is owned as to 75% by TOHL, 11.83% by AIL, 9.67% by Mr. Duc, and 3.5% by Ms. Ho respectively.
2. Ms. Chu is deemed or taken to be interested in all the Shares which are beneficially owned by TOHL under the SFO. TOHL is wholly-owned by Ms. Chu.
3. Mr. Long is the spouse of Ms. Chu and he is deemed or taken to be interested in all the Shares which are beneficially owned by Ms. Chu under the SFO.

Save as disclosed above, as at 31 March 2018, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

### COMPETING BUSINESS

During the reporting period and up to the date of this report, the Directors are not aware of any business or interest of the Directors, controlling shareholders, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person either directly or indirectly has or may have with the Group.

### COMPLIANCE ADVISER'S INTERESTS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited ("**Lego**") to be the compliance adviser. Lego, being the sponsor to the listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as the above, neither Lego nor any of its associates and none of the directors or employees of Lego who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

The compliance adviser's appointment is for a period commencing on the listing date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of its annual report of the financial results for the second full financial year commencing after the listing date, i.e. for the year ending 31 December 2020, or until the compliance adviser agreement is terminated, whichever is earlier.

### **CORPORATE GOVERNANCE PRACTICE**

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the three months ended 31 March 2018 and up to the date of this report.

### **AUDIT COMMITTEE**

The existing audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors of the Company, chaired by Ms. Lam Lai Ting Maria Goretti and the other two members are Mr. Yiu Chun Kit and Ms. Chan Cheuk Man Vivian.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 have been reviewed by the Audit Committee.

### **PUBLICATION OF INFORMATION ON WEBSITES**

This first quarterly report is available for viewing on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.atlinks.com](http://www.atlinks.com).

By the order of Board

**Long Hak Kan**

*Chairman*

9 May 2018

# Unaudited Condensed Consolidated Income Statement

For the three months ended 31 March 2018

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2018, together with the comparative figures for the corresponding period in 2017 which have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

	Notes	Three months ended 31 March	
		2018 EUR (Unaudited)	2017 EUR (Unaudited)
Revenue	3	8,071,320	7,611,645
Cost of sales		(5,900,214)	(5,455,048)
Gross profit		2,171,106	2,156,597
Other income		13,881	5,145
Other gain			
– Exchange difference		250,324	221,810
– Fair value changes on derivative financial instruments		9,397	(189,670)
Selling and distribution expenses		(903,688)	(775,987)
Administrative expenses			
– Legal and professional fee for listing preparation		(189,789)	–
– Others		(1,575,927)	(1,648,716)
<b>Operating loss</b>		<b>(224,696)</b>	<b>(230,821)</b>
Finance income		710	260
Finance costs		(97,543)	(85,327)
Finance costs, net		(96,833)	(85,067)
<b>Loss before income tax</b>		<b>(321,529)</b>	<b>(315,888)</b>
Income tax expenses	4	19,937	95,599
<b>Loss for the period</b>		<b>(301,592)</b>	<b>(220,289)</b>
Attributable to:			
Equity holders of the Company		(298,471)	(209,713)
Non-controlling interests		(3,121)	(10,576)
		(301,592)	(220,289)
<b>Losses per share</b>			
– Basic and diluted (expressed in Euro cents per share)	5	(0.08)	(0.07)

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2018

	Three months ended 31 March	
	2018 EUR (Unaudited)	2017 EUR (Unaudited)
<b>Loss for the period</b>	<b>(301,592)</b>	(220,289)
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<b>(304,030)</b>	(315,334)
<i>Items that may not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement plans, net of tax	<b>(4,329)</b>	(3,848)
<b>Other comprehensive loss for the period</b>	<b>(308,359)</b>	(319,182)
<b>Total comprehensive loss for the period</b>	<b>(609,951)</b>	(539,471)
Attributable to:		
Equity holders of the Company	<b>(606,830)</b>	(528,895)
Non-controlling interests	<b>(3,121)</b>	(10,576)
	<b>(609,951)</b>	(539,895)

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Attributable to equity holders of Atlinks Group Limited						Total
	Share capital	Merger reserve	Other reserve	Retained earnings	Total	Non-controlling interest (Note 1)	
	EUR	EUR	EUR	EUR	EUR	EUR	
<b>Balances at 1 January 2017 (Audited)</b>	-	4,386,134	864,481	2,758,934	8,009,549	71,427	8,080,976
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	(209,713)	(209,713)	(10,576)	(220,289)
<b>Other comprehensive loss</b>							
Currency translation difference	-	-	(311,244)	-	(311,244)	(4,090)	(315,334)
Remeasurement of defined benefit retirement plans, net of tax	-	-	(3,848)	-	(3,848)	-	(3,848)
Other comprehensive loss	-	-	(315,092)	-	(315,092)	(4,090)	(319,182)
<b>Total comprehensive loss for the period</b>	-	-	(315,092)	(209,713)	(524,805)	(14,666)	(539,471)
<b>Balances at 31 March 2017 (Unaudited)</b>	-	4,386,134	549,389	2,549,221	7,484,744	56,761	7,541,505
<b>Balances at 1 January 2018 (Audited)</b>	11	4,386,123	183,070	1,590,429	6,159,633	46,862	6,206,495
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	(298,471)	(298,471)	(3,121)	(301,592)
<b>Other comprehensive loss</b>							
Currency translation difference	-	-	(304,030)	-	(304,030)	-	(304,030)
Remeasurement of defined benefit retirement plans, net of tax	-	-	(4,329)	-	(4,329)	-	(4,329)
Other comprehensive loss	-	-	(308,359)	-	(308,359)	-	(308,359)
<b>Total comprehensive income for the period</b>	-	-	(308,359)	(298,471)	(606,830)	(3,121)	(609,951)
<b>Transactions with owners</b>							
Issuance of shares	417,808	4,734,254	-	-	5,152,062	-	5,152,062
Shares issuance cost	-	(1,177,028)	-	-	(1,177,028)	-	(1,177,028)
<b>Balances at 31 March 2018 (Unaudited)</b>	417,819	7,943,349	(125,289)	1,291,958	9,527,837	43,741	9,571,578

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Note 1: Non-controlling interest represents the 49% ordinary share interest held by Hong Kong Sipall Limited, an independent third party, which invested in Atlinks Enterprise Limited during 2016.

# Notes to the Unaudited Condensed Consolidated Financial Information

## 1 GENERAL INFORMATION

Atlinks Group Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Island.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in designing, developing and selling home and office telecommunication products to retailers, telecommunication operators and distributors customers all around the world (except North America) under two brands, namely Alcatel and Swissvoice.

The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited on 19 January 2018 (the "Listing Date").

The unaudited condensed consolidated financial statements are presented in EURO unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated financial information for the three months ended 31 March 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The condensed consolidated financial information should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus, which have been prepared in accordance with HKFRSs. The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus, except for the adoption of revised HKFRSs which have become effective for accounting periods beginning on or after 1 January 2018. Certain new or amendments to HKFRSs, potentially relevant to the Group's accounting policies, have been issued, but are not effective and have not been early adopted by the Group.

## 3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the Company's executive directors, who review the Group's internal reporting in order to assess performance and allocate resources.

The Group's principal activity is trading and development of telecommunication equipment. For the purpose of resources allocation and assessment of performance, the CODM regularly reviews the Group's performance based on revenue and gross profit margin. No other discrete financial information was provided to the CODM. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities reported to the CODM, accordingly, no separate segment information is presented.

**3 REVENUE AND SEGMENT INFORMATION** *(Continued)***(a) Revenue by product type**

The Group is principally engaged in designing, development, and selling home and office telecommunication product. Revenue recognised during the respective period analysed by type of products is as follows:

	<b>Three months ended 31 March</b>	
	<b>2018</b> EUR <b>(Unaudited)</b>	2017 EUR (Unaudited)
Revenue		
Home telephone	<b>6,728,493</b>	6,627,976
Office telephone	<b>746,688</b>	789,857
Others	<b>596,139</b>	193,812
	<b>8,071,320</b>	7,611,645

**(b) Revenue by location**

Revenue from external customers by country, based on the location to which the goods were delivered, is as follows:

	<b>Three months ended 31 March</b>	
	<b>2018</b> EUR <b>(Unaudited)</b>	2017 EUR (Unaudited)
France	<b>4,405,956</b>	4,410,434
Latin America (Note i)	<b>1,283,530</b>	822,654
Other European countries (Note ii)	<b>1,868,036</b>	1,580,091
Others (Note iii)	<b>513,798</b>	798,466
	<b>8,071,320</b>	7,611,645

Notes:

- i. Latin America includes Argentina, Chile, Mexico, Peru and others.
- ii. Other European countries include but is not limited to Germany, Greece, Italy, Portugal, Spain and Switzerland but excludes France.
- iii. Others includes but is not limited to Asia Pacific Region, Russia and Middle East area.

**4 INCOME TAX EXPENSES**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2018 and 2017.

Corporate income tax on profits from a subsidiary operating in Mainland China has been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations for the three months ended 31 March 2018 and 2017.

Corporate income tax on profits from a subsidiary operating in France has been calculated at 28% for the three months ended 31 March 2018 according to the France Tax Department's promulgation on 27 September 2017, 33.33% for the three months ended 31 March 2017.

**Income tax expenses**

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>EUR</b>	EUR
Current income tax	<b>19,960</b>	57,695
Deferred income tax	<b>(39,897)</b>	(153,294)
	<b>(19,937)</b>	(95,599)

**5 LOSS PER SHARE****(a) Basic loss per share**

Basic losses per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective period.

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to equity holders of the Company (Euro)	<b>(298,471)</b>	(209,713)
Weighted average number of shares in issue (thousands)	<b>380,000</b>	300,000
Basic loss per share (expressed in Euro cents)	<b>(0.08)</b>	(0.07)

**(b) Diluted loss per share**

Diluted loss per share presented is the same as the basic loss per share as there were no potentially dilutive ordinary shares issued during the respective period.

**6 DIVIDEND**

No dividend has been paid or declared by the Company as at 31 March 2018 and 2017.