



## **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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## **DIRECTORS**

### **Executive Directors:**

Mr. Didier Paul Henri Goujard  
Mr. Jean-Alexis René Robert Duc  
Ms. Ho Dora  
Mr. Long Shing

### **Non-executive Directors:**

Mr. Long Hak Kan  
Mr. Long Fung

### **Independent Non-executive Directors:**

Mr. Yiu Chun Kit  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian

## **AUDIT COMMITTEE**

Ms. Lam Lai Ting Maria Goretti (*Chairman*)  
Mr. Yiu Chun Kit  
Ms. Chan Cheuk Man Vivian

## **REMUNERATION COMMITTEE**

Mr. Yiu Chun Kit (*Chairman*)  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian

## **NOMINATION COMMITTEE**

Mr. Long Hak Kan (*Chairman*)  
Mr. Yiu Chun Kit  
Ms. Chan Cheuk Man Vivian

## **RISK MANAGEMENT COMMITTEE**

Mr. Didier Paul Henri Goujard (*Chairman*)  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian

## **COMPANY SECRETARY**

Ms. Ho Dora

## **COMPLIANCE OFFICER**

Ms. Ho Dora

## **AUTHORISED REPRESENTATIVES**

Mr. Long Shing (appointed on 30 May 2018)  
Mr. Didier Paul Henri Goujard (resigned on 30 May 2018)  
Ms. Ho Dora

## **REGISTERED OFFICE**

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 1818, 18/F, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Estera Trust (Cayman) Limited  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **COMPLIANCE ADVISER**

Lego Corporate Finance Limited  
Room 1601, 16/F, China Building  
29 Queen's Road Central  
Hong Kong

## **LEGAL ADVISER TO THE COMPANY**

(*as to the laws of Hong Kong*)  
CFN Lawyers in association with Broad & Bright  
Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre  
30 Harbour Road, Wanchai  
Hong Kong

## **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central Hong Kong

## **AUDITOR**

PricewaterhouseCoopers  
Certified Public Accountants  
22/F, Prince's Building, Central, Hong Kong

## **STOCK CODE**

8043

## **COMPANY'S WEBSITE**

[www.atlinks.com](http://www.atlinks.com)

# Chairman's Statement



**Dear shareholders,**

On behalf of the board of Directors (the "**Board**") of Atlinks Group Limited (the "**Company**") and its subsidiaries (together the "**Group**"), we are pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 December 2018 (hereafter referred as the "**Financial Year**").

## **OVERVIEW**

The overall revenue of the Group in 2018 remained more or less the same as in 2017 due to a mix of results and strategies; continued downtrend of traditional home and business phones compensated by the growth of our communication products for seniors.

## **PROSPECT**

Continuing with our strategies from last year, our business objectives are to stabilize our home and business telecommunication products under Alcatel, and to grow the communication products/services for the elderly market. We have been especially excited with the acquisition of the Amplicomms brand this year, which is a strong brand in Europe with a long history of providing quality communication products for seniors. Thus, we have been able to grow the product and services this year with the sales of our new products and services for seniors under the Amplicomms brand and the Swissvoice brand.

As we focus more and more on the niche of services for seniors, we will be participating and investing more into the particular activities such as trade fairs for elderly care around the world. With two strong brands Swissvoice and Amplicomms dedicated to seniors, we are confident to improve our results this year.

Furthermore, we have been awarded again this year by the prestigious Ecovadis award of sustainability at the highest gold level and as the Best Performer in the Greater China region across all activities and among industry leaders. This has continued to help us earn trust among our customers who are top companies in the world.

## **APPRECIATION**

I would like to take this opportunity to thank our management team for their continued dedication to growing and developing our business and capitalizing on strategies that benefit the long term growth of our Company. I would also like to thank our business partners for their continual support in our business as well as welcoming many new partners as we venture into new business areas. Finally, I would also like to thank all our shareholders and investors for their continued support to the Group.

**Long Hak Kan**

*Chairman*

22 March 2019

# Management Discussion and Analysis

## BUSINESS ACTIVITIES

We are a home and office telecommunications product designing company and we sell our products through the telecom operators, large consumer retail chain stores and distributors mainly located in Europe and Latin America.

We derive our revenues principally from designing developing and selling home and office telecommunications products under the trademarks bearing the brand “Alcatel” (“**Licensed Marks**”) and other customer brand names for the European, Latin American and Asian markets. Our products are mainly the home and office telephone products that we design and develop.

## BUSINESS REVIEW AND OUTLOOK

Group revenue was stable at approximately EUR35.8 million for the year ended 31 December 2018 as compared to that of the previous year.

The Group’s gross profit margin remains relatively stable at approximately 28.5% for the year ended 31 December 2018 and approximately 28.6% for the year ended 31 December 2017 .

The following table shows the breakdown of the Group’s revenue by product categories.

	Year ended 31 December			
	2018 EUR’000	% of total revenue	2017 EUR’000	% of total revenue
Home telephone	<b>30,189</b>	<b>84.2%</b>	30,185	84.3%
Office telephone	<b>3,143</b>	<b>8.8%</b>	4,426	12.3%
Others ( <i>Note</i> )	<b>2,508</b>	<b>7.0%</b>	1,231	3.4%
Total	<b>35,840</b>	<b>100.0%</b>	35,842	100.0%

*Note:* Others include IP camera, IP baby monitor, smart home solutions, conferencing phone and products dedicated to elderly.

Despite a sharp decline in the home telephone market, in gratitude for the Group’s position and increase in its market share in Europe, the Group’s revenue managed to stabilise at approximately EUR30.2 million for the Financial Year.

The Group’s sales in the office telephone market received disappointing results as the demand for this category of product is continually experiencing a major downturn given that the market trend is shifting from analog phones to VoIP (voice over internet protocol) phones. The Group has failed to curb the rapid decline in revenue generated from the analog office phones market not compensated by sufficient growth in revenue generated from VoIP phones.

The Group doubled its sales in the category of Others, which include IP camera, IP baby monitor, smart home solutions, conferencing phone and products dedicated to elderly, due to the acquisition in May 2018 of the “Amplicomms” brand, a competitive brand in Europe in the field of communication products for the elderly, and also due to the launch of new products under the “Swissvoice” brand, the Group’s revenues for this product category increased 163% for the last quarter of 2018. This category is expected to grow at a relatively fast rate in 2019 in gratitude for the new “Swissvoice” and “Amplicomms” branded products launched in the last quarter of 2018.

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*).

	Year ended 31 December			
	2018 EUR’000	% of total revenue	2017 EUR’000	% of total revenue
France	<b>19,364</b>	<b>54.0%</b>	19,653	54.9%
Latin America ( <i>Note 2</i> )	<b>6,355</b>	<b>17.7%</b>	5,440	15.2%
Other European countries ( <i>Note 3</i> )	<b>6,165</b>	<b>17.2%</b>	6,289	17.5%
APAC/Russia/MEA ( <i>Note 4</i> )	<b>3,956</b>	<b>11.1%</b>	4,460	12.4%
Total	<b>35,840</b>	<b>100.0%</b>	35,842	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 include but are not limited to Germany, Greece, Italy, Portugal, Spain and Switzerland but excludes France.
4. APAC/Russia/MEA include but are not limited to the Asia Pacific Region, Russia and Middle East area.

Our sales in the Asia Pacific region, Middle East area and Russia have decreased EUR0.5 million, such decrease is mainly due to the drop of home telephone product in this region.

Our sales in other European countries remains relatively stable, the drop of home and office telephone product has been partially compensated by the new product category dedicated to elderly.

France remains dominant, and the revenue generated from France was approximately EUR19.4 million representing approximately 54.0% of the total revenue of the Group. Social demonstrations in the country have disrupted the sales of the last quarter of 2018, nevertheless revenue remains relatively stable, and dropped approximately 1.5%.

Latin America has delivered a good result, the revenue increased EUR0.9 million, 16.8% growth, due to tenders won with telecom operators in the region.

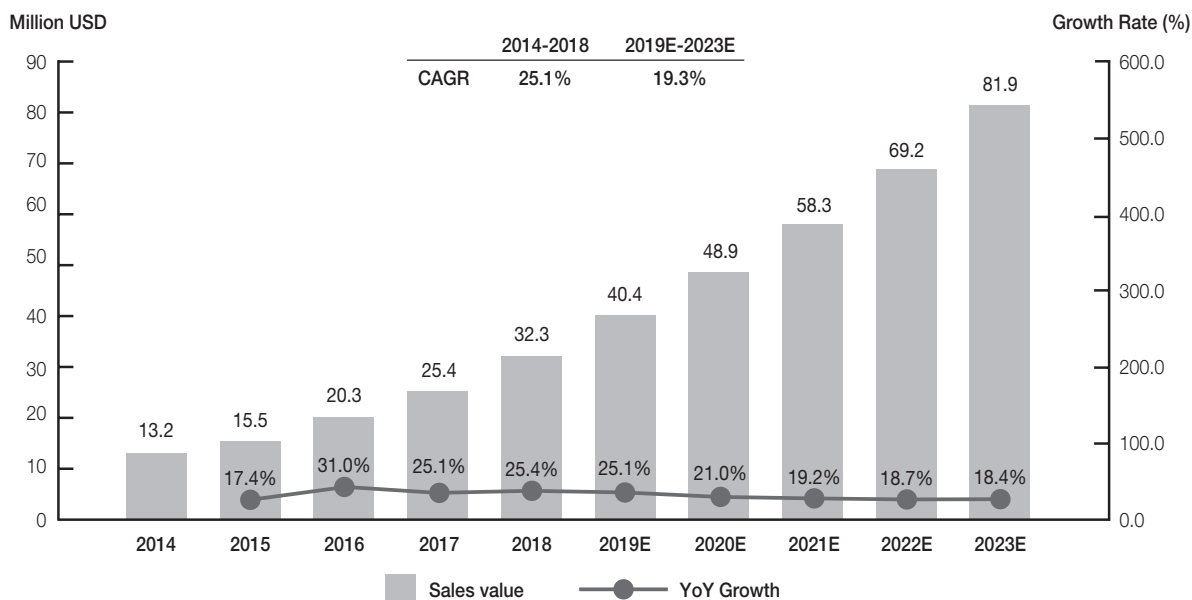
## OUTLOOK

In 2018, the Group has invested massively to develop and market the new product category dedicated to elderly, this new product category will be sold under the Swissvoice and Amplicomms brands.

The Group has spent approximately EUR1.6 million more in the Financial Year in development, selling and distribution, the effort represented an increase of approximately 17.6% and it has impacted our operating loss. The Group considers this effort to be mandatory for growth in the Group's revenue in the coming years. The Group observes that the home telephone market sector is dropping fast and the Group's investment of acquiring Amplicomms brand, developing new product dedicated to the elderly and expanding our sales in UK and Germany are the necessary foundation to our future growth.

According to Frost & Sullivan (a market research consultant), in Europe, the market size of elderly telecommunications products by sales value is continuously growing. The growth is attributable to the growing awareness towards elderly care and increase population in European countries. With the continuous increase in the elderly population and the growing adoption of elderly telecommunications products, the growth of the elderly telecommunications products is estimated to increase at a CAGR of 19.3% during 2019 to 2023, reaching USD81.9 million by 2023.

**Market size of Elderly Telecommunication Products by Sales Value (Europe), 2014-2023E**



Source: Frost & Sullivan

In 2019, despite a difficult economic environment where countries have revised down their growth projection, the Group is still confident to grow its revenue and improve its operating profit given the prosperous market dedicated to elderly.

## FINANCIAL REVIEW

### Cost of Sales and Gross Profit

Cost of sales is stable at approximately EUR25.6 million for the year ended 31 December 2018 compared to the previous year, material cost increase has been compensated by a better margin of new product category dedicated to elderly. The gross profit margin remains stable at approximately 28.5% for the year ended 31 December 2018 and approximately 28.6% for the year ended 31 December 2017.

### Selling and Distribution Expenses

The selling and distribution expenses increased significantly by 26.8% from EUR3.2 million in 2017 to EUR4.1 million in 2018. This increase of approximately EUR0.9 million is driven by more marketing expenses to support exhibition, website, film to promote new product and more sales resources in Europe to expand the sales in Europe.

### Administrative Expenses

Administrative expenses have decreased by 7.9% from EUR7.5 million in 2017 to EUR6.9 million in 2018. This decrease of approximately EUR0.6 million was mainly due to a lower amount in non-recurring listing expenses recognised during the year ended 31 December 2018, which was partially offset by the higher expenses incurred for developing new Swissvoice branded products and Amplicomms branded products, as well as increase in legal and professional fees subsequent to the listing of the Company's shares on GEM.

### Loss attributable to the Equity Holder of the Company

The Group recorded a loss of approximately EUR0.7 million for the year ended 31 December 2018, compared to a loss of EUR1.2 million for the year ended 31 December 2017.

### Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2018.

### Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

There were neither significant investments held as at 31 December 2018 nor material acquisitions and disposals of subsidiaries during the year ended 31 December 2018. There is no plan for material investment or capital assets as at 31 December 2018.

### Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

### Foreign Currency Exposure and Hedging Policies

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD") and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than EUR or HKD, which are the functional currencies of the major operating companies within the Group. The Group manages its foreign currency exposure by entering into forward derivatives contract.

The Group adopts a hedging policy to manage our exposure to foreign exchange risk in relation to USD. Due to our business nature, our goal is to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows and no hedging position will be taken without an underlying operational flow. As at 31 December 2018, the Group had outstanding foreign exchange forward contracts in respect of EUR against USD of notional principal amounts of approximately USD3.7 million (as at 31 December 2017: approximately USD7.0 million). Management will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.





## Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of 50 staff (2017: 50). Total staff costs (including Directors' emoluments) were approximately EUR4.3 million for the year ended 31 December 2018 (2017: approximately EUR4.0 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience and composition package of the Directors, senior management and other employees. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include contributions to statutory mandatory provident fund schemes and social insurance to employees.

## Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately EUR3.3 million, representing a decrease of approximately EUR1.5 million as compared to that of approximately EUR4.8 million as at 31 December 2017. Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 December 2018, we had various bank borrowings and overdrafts of approximately EUR9.2 million, including factoring loan for trade receivables (as at 31 December 2017: approximately EUR8.2 million), representing an increase of approximately EUR1.0 million as compared to that as at 31 December 2017.

Net current assets increased from approximately EUR4.7 million for the year ended 31 December 2017 to approximately EUR7.2 million for the year ended 31 December 2018, which was mainly due to stocking up of inventory in preparation for new products launch.

The Group requires cash primarily for working capital. As of 31 December 2018, the Group had approximately EUR3.3 million in cash and bank balances (as at 31 December 2017: approximately EUR4.8 million), representing a decrease of approximately EUR1.5 million as compared to that as at 31 December 2017.

## Net Gearing Ratio

As at 31 December 2018, the net gearing ratio of the Group was approximately 38% (as at 31 December 2017: approximately 35%). The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in consolidated statement of financial position plus net debt. The increase of the net gearing ratio was mainly attributable to an increase for bank borrowing to support the Group's working capital.

## Contingent Liabilities

As at 31 December 2018, the Company had no significant contingent liabilities (as at 31 December 2017: Nil).

## Capital Structure

The Company's shares were successfully listed on GEM of the Stock Exchange on 19 January 2018. There has been no change in the Company's capital structure since 19 January 2018. The capital structure of the Group comprises of issued share capital and reserves. The Directors review and manage the Group's capital structure regularly.

## Pledge of Assets

At the end of the year, the Group's banking facilities were secured by:

- (i) certain of the Group's trade receivables with an aggregate amount of approximately EUR4,729,113 (2017: EUR5,711,916);
- (ii) pledged bank deposits with an aggregate amount of approximately EUR2,038,442 (2017: EUR2,062,879);
- (iii) a corporate guarantee from the Company with an aggregate amount of approximately EUR4,824,561 (2017: EUR4,620,000).

## Capital Commitments

As at 31 December 2018, the Company had no capital commitment (as at 31 December 2017: Nil).

### Use of Proceeds from the Listing

As stated in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2017 (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 of securities of the Company on GEM only took place in January 2018, during the year ended 31 December 2018, the net proceeds had been received or utilised as follows:

	<b>Actual net proceeds allocated</b>	<b>Amount utilised up to 31 December 2018</b>	<b>Balance as at 31 December 2018</b>
	HK\$ Million	HK\$ Million	HK\$ Million
Developing the office telephone products	2.9	–	2.9
Developing the elderly telecommunications products	5.3	(2.3)	3.0
Strengthening and enhancing our sales channels	3.7	(1.7)	2.0
Expanding the staff team	5.8	(1.4)	4.4
Developing the other products including IP cameras and smart home products	1.3	–	1.3
Expanding the geographical coverage	3.0	(0.3)	2.7
General working capital	1.1	(1.1)	–
	<b>23.1</b>	<b>(6.8)</b>	<b>16.3</b>

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Didier Paul Henri Goujard (“Mr. Goujard”)**, aged 69, is chief executive officer of the Company. Mr. Goujard is responsible for overseeing the Group’s operation, business development, human resources, finance and administration. Mr. Goujard became the chief executive officer of Atlinks Asia Limited (“**ATL Asia**”) on 1 August 2012 and is currently the director of Atlinks Holdings Limited (“**ATL Holdings**”). He was appointed as a Director on 3 August 2017 and redesignated as our executive Director on 12 September 2017. Mr. Goujard is also a director of ATL Holdings, ATL Asia and Swissvoice International SA (“**Swissvoice**”). Mr. Goujard obtained a DIPLOME d’INGENIEUR (SPÉCIALITÉ: ELECTRONIQUE) (Diploma in Engineering (specialty: Electronics)) from Conservatoire National des Arts et Métiers in June 1977. Mr. Goujard has over 30 years experience in the telecommunications industry. Prior to joining the Group, Mr. Goujard worked as a manager in Alcatel S.A., a French global telecommunications equipment company from April 1981 to September 1999. He then joined Thomson Alcatel RC, a joint venture specialized in telecommunications equipment products as operations manager from October 1999 to January 2000. From February 2000 to February 2006, Mr. Goujard was the general manager of Atlinks Hong Kong Limited, which was renamed to Thomson Asia Limited from March 2006 to February 2011. From March 2006 to July 2008, Mr. Goujard was the general manager of Thomson Asia Limited (currently known as Technicolor Asia Limited, a technological company in the media and entertainment industry). From August 2008 to December 2009, Mr. Goujard worked as market development EMEA (Europe, Middle East and Africa regions) director in Thomson Telecom SA. He then worked as managing director in Atlinks Group and as chief executive officer in Atlinks Europe (“**ATL Europe**”), which was engaged in designing home and office telecommunications products, from January 2010 to January 2013.

**Ms. Ho Dora (“Ms. Ho”)**, aged 49, is chief financial officer of the Company and responsible for overseeing the Group’s operation, business development, human resources, finance and administration. She was appointed as a Director on 3 August 2017 and re-designated as an executive Director on 12 September 2017. Ms. Ho joined ATL Asia as head of finance in July 2010 and became head of finance and human resources in October 2010. Ms. Ho was promoted to finance and human resources director and chief financial officer in November 2012 and April 2013, respectively. Ms. Ho is also a director of Atlinks Industries Limited and Swissvoice and a supervisor of Atlinks Technology (Shenzhen) Limited (“**ATL Shenzhen**”). Ms. Ho obtained her Bachelor of Arts majoring in accounting and finance from University of Glamorgan in June 1993. She further obtained her Master of Business Administration from University of Wales College of Cardiff in July 1995. Ms. Ho was admitted as a member of the Association of Chartered Certified Accountants in 15 November 2004. Ms. Ho was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2005. She was admitted as a fellow of the Association of Chartered Certified Accountants in November 2009. She was certified as a fellow of the Hong Kong Institute of Certified Public Accountants in May 2012 and became a chartered manager of Chartered Management Institute in November 2013. She is also currently a Chartered Fellow of Chartered Management Institute. Ms. Ho has over 20 years of experience in financial services. Prior to joining the Group, she worked for AIA Shared Services (Hong Kong) Limited (formerly known as American International Data Centre Limited) from September 2007 to August 2009, with her last position held as a finance manager. From August 2009 to June 2010, Ms. Ho worked for AXA Technology Services Asia (HK) Limited (formerly known as AXA Technology Services South East Asia Limited), with her last position as head of finance in the finance department.

**Mr. Long Shing**, aged 37, is responsible for overall management of the Group’s business in APAC (Asia Pacific region) and Russia. He was appointed as a Director on 3 August 2017 and re-designated as an executive Director on 12 September 2017. Mr. Long Shing joined the Group as sales and marketing director in July 2013 and is currently the director of Atlinks Enterprise Limited and director and legal representative of ATL Shenzhen. Mr. Long Shing obtained his Bachelor of Commerce degree from The University of British Columbia in May 2005. He began his career as a sales executive in NOK-Freudenberg Hong Kong Limited, a company that specialises in the production and sales of seals for the automotive industry, from February 2005 to October 2005. He worked as a sales executive in Kan Tsang Industrial Company Limited from November 2005 to June 2011. He also worked as a sales director in Kan Tsang Technology Limited, a company that engages in the research and development, manufacture, sale and marketing of electro acoustic components and headsets, from July 2011 to July 2013. Mr. Long Shing is the son of Mr. Long and younger brother of Mr. Long Fung.

**Mr. Jean-Alexis René Robert Duc (“Mr. Duc”)**, aged 46, is responsible for overall management of the Group’s business operation in Europe. Mr. Duc was appointed as a Director on 3 August 2017 and re-designated as executive Director on 12 September 2017. Mr. Duc obtained Brevet de Technicien Supérieur in International Trade from Institut Supérieur Européen de Gestion in July 1993 and he further obtained his Master equivalent degree in Marketing & Sales from Institut Supérieur de Gestion in September 1996. Mr. Duc has over 20 years of experience in the telecommunications industry. He worked as a sales representative in 3X International, a telecommunications company from February 1997 to August 1997. Mr. Duc then worked for Alcatel Business Systems, a telecommunications company from September 1997 to December 1999 with his last position as training manager. From January 2000 to February 2004, Mr. Duc worked as key account manager in Atlinks and then Thomson Telecom, a telecommunications company which acquired Atlinks in January 2004. From March 2004 to December 2008, Mr. Duc was promoted to customer director retail France of Thomson Telecom. In January 2009, he was promoted to commercial director of Europe, Middle East and Africa regions and carried on this position in ATL Europe in January 2010, before he was subsequently promoted to chief executive officer ATL Europe in October 2012.

### NON-EXECUTIVE DIRECTORS

**Mr. Long Hak Kan (“Mr. Long”)**, aged 69, was appointed as a Director on 30 August 2017 and re-designated as a non-executive Director and appointed as Chairman of the Company on 12 September 2017, respectively. Mr. Long obtained his Associate Degree of Radio from Southeast Radio Institute\* (東南無線電專科學校) in January 1982. Mr. Long was also a director of the following companies:

Name of Organisation	Principal business activity	Position	Period of Service
Kan Tsang Industrial Company Limited	Electronics components trading	Director	March 1998 to present
Kan Tsang New Technology Development Limited	Trading of electronic products	Director	December 2015 to present

Mr. Long is the father of Mr. Long Shing and Mr. Long Fung.

**Mr. Long Fung**, aged 37, is responsible for the overall strategic management of the Group. Mr. Long Fung was appointed as a Director on 3 August 2017 and re-designated as a non-executive Director on 12 September 2017. Mr. Long Fung obtained his Bachelor of Science degree majoring in biochemistry in The University of British Columbia in June 2004. From June 2012 to April 2015, he was a director of Witron Technology Limited, the principal business of which is a bluetooth design house, and from June 2017 until the year ended 31 December 2018, he was re-appointed as a director of Witron Technology Limited. From December 2015 until the year ended 31 December 2018, he was a director of Kan Tsang New Technology Development Limited, the principal business of which is trading of electronic products. Mr. Long Fung is the son of Mr. Long and elder brother of Mr. Long Shing.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yiu Chun Kit (“Mr. Yiu”)**, aged 60, was appointed as an independent non-executive Director on 21 December 2017. Mr. Yiu is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis. Mr. Yiu obtained his Professional Diploma from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1984. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 1987 and a chartered professional accountant and a certified management accountant of the Chartered Professional Accountants in British Columbia in June 2015. In October 1992, he was admitted as a fellow member of the Chartered Association of Certified Accountants. Mr. Yiu has about 30 years of experience in financial services. From 1990 to July 1992, he worked for Climax Paper Converters, Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange (Stock code: 439) as financial controller and senior vice president of corporate affairs. From September 1996 to September 1998, he worked for Climax International Company Limited (a company listed on the Main Board of the Stock Exchange (Stock code: 439) as chief finance officer. From September 1998 to December 2002, Mr. Yiu worked for Le Saunda Management Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange (Stock code: 738) as finance director and executive director. From August 2003 to September 2005, he worked for Regal Wealthy Management Limited as financial controller and business development director. From October 2005 to November 2012, Mr. Yiu worked for Frasers Property (China) Limited (now known as Gemdale Properties and Investment Corporation Limited) (a company listed on the Main Board of the Stock Exchange (Stock code: 535) as chief finance officer and company secretary. From November 2012 to August 2015, he worked for New Standard Enterprises Company Limited as chief financial officer.

**Ms. Lam Lai Ting Maria Goretti (“Ms. Lam”)**, aged 48, was appointed as our independent non-executive Director on 21 December 2017. Ms. Lam is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis. Ms. Lam obtained her Bachelor Degree of Economics from the University of Sydney in June 1993. She was admitted as a member of CPA Australia in April 1993 and was admitted to full membership of CPA Australia in May 1996. She was also admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in January 2010. She is currently an authorised supervisor of the Hong Kong Institute of Certified Public Accountants. Ms. Lam worked as a staff accountant and a senior auditor in Arthur Andersen & Co from December 1992 to January 1996. She worked for United International Holdings Inc., a company that specialises in acquisitions and development of worldwide cable TV operations (currently known as UnitedGlobalCom) as a business development manager from February 1996 to October 1997. From June 1998 to April 1999 she worked as the regional strategic business development manager in American International Companies, Hong Kong. Ms. Lam then joined New World Telecommunications Limited (currently known as HKBN Enterprise Solutions Limited) with last position as the senior manager in business development department from August 1999 to March 2003.

Ms. Lam was also a director of the following companies:

Name of Organisation	Principal business activity	Position	Period of Service
Crestar Limited	Business consulting & outsourcing service	Director	2003 to present
Fukada Group Limited	Energy saving business	Director	2012 to present
G-ajjia Limited	Contracting works with listed building management	Director	2012 to present
Eco Alliance Technologies Limited	Energy saving joint venture company	Director	2013 to present

**Ms. Chan Cheuk Man Vivian (“Ms. Chan”)**, aged 35, was appointed as our independent non-executive Director on 21 December 2017. Ms. Chan is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis. Ms. Chan obtained her Bachelor of Laws degree and Bachelor of Commerce in Finance degree from The University of New South Wales in May 2006. She had also obtained her Graduate Diploma in Legal Practice from The College of Law in Australia in August 2006. In June 2007, she obtained the Postgraduate Certificate in Laws from The University of Hong Kong. Ms. Chan was admitted as a lawyer of the Supreme Court of New South Wales in August 2006 and a solicitor of the High Court of Hong Kong in December 2009. Ms. Chan was employed as an assistant solicitor in William W.L. Fan & Co from November 2009 to November 2013. Ms. Chan was then promoted as partner at William W.L. Fan & Co in December 2013 and was a partner of the firm until June 2015. Since September 2015, Ms. Chan was the principal of Vivian Chan Law Office.

### SENIOR MANAGEMENT

**Ms. Cesarini Claude Daniele Marie (“Ms. Cesarini”)**, aged 54, is the general manager of the Group. She joined ATL Asia as general manager in July 2010 and is primarily responsible for overseeing the operation and administration of the Group in Latin America. Ms. Cesarini obtained Brevet de Technicien Supérieur in international business from Ministère de l'Éducation Nationale (France) in June 1986. Prior to joining the Group, Ms. Cesarini worked at Thomson Inc. (USA), a telecommunications services and products provider from 2003 to June 2010 with her last position as key account manager of sales and marketing in Latin America.



# Corporate Governance Report

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devote considerable effort to maintain high level of business ethics and corporate governance practices.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2018. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

## CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are four board committees, namely the risk management committee, (the “**Risk Management Committee**”), the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”). All these committees perform their distinct roles in accordance with their respective terms of reference (available on the Company’s website) and assist the Board in supervising certain functions of the senior management.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company not to deal in securities of the Company when he/she would be prohibited from dealing by the code of conduct as if he/she was a Director.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors, all the Directors had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors’ securities transactions during the year ended 31 December 2018.

## BOARD OF DIRECTORS

At present, the Board comprises nine directors (“**Directors**”) as follows:

### Executive Directors:

Mr. Didier Paul Henri Goujard (*Chief Executive Officer*)  
Mr. Jean-Alexis René Robert Duc (*ATL Europe’s managing director*)  
Ms. Ho Dora (*Chief Financial Officer*)  
Mr. Long Shing (*Sales and marketing director of APAC and Russia*)

### Non-executive Directors:

Mr. Long Hak Kan (*Chairman*)  
Mr. Long Fung

### Independent Non-executive Directors:

Mr. Yiu Chun Kit  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian

Biographical details of the Directors are set out in the section of “Biographical Details of Directors and Senior Management” on pages 10 to 12. Save as Mr. Long Fung and Mr. Long Shing being the sons of Mr. Long Hak Kan, there are no family or other material relationships among members of the Board.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board is accountable to the shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.



Pursuant to Code Provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. Five Board meetings and one general meeting were held during the year ended 31 December 2018.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 December 2018 is set out in the following table:

Name of Directors	Board Meetings (attendance/ total no. of meeting held)	Audit Committee Meetings (attendance/ total no. of meeting held)	Remuneration Committee Meeting (attendance/ total no. of meeting held)	Nomination Committee Meeting (attendance/ total no. of meeting held)	Risk	
					Management Committee Meetings (attendance/ total no. of meeting held)	General Meeting (attendance/ total no. of meeting held)
<b>Executive Directors</b>						
Mr. Didier Paul Henri Goujard	5/5	3/4	1/1	N/A	2/2	1/1
Mr. Jean-Alexis René Robert Duc	4/5	N/A	N/A	N/A	N/A	0/1
Ms. Ho Dora	5/5	4/4	1/1	N/A	2/2	1/1
Mr. Long Shing	5/5	N/A	N/A	N/A	N/A	1/1
<b>Non-executive Directors</b>						
Mr. Long Hak Kan	5/5	N/A	N/A	1/1	N/A	1/1
Mr. Long Fung	5/5	N/A	N/A	N/A	N/A	0/1
<b>Independent Non-executive Directors</b>						
Mr. Yiu Chun Kit	5/5	4/4	1/1	1/1	N/A	1/1
Ms. Lam Lai Ting Maria Goretti	5/5	4/4	1/1	N/A	2/2	1/1
Ms. Chan Cheuk Man Vivian	5/5	4/4	1/1	1/1	2/2	1/1

Code Provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decisions making with reasonable notice and are welcome to include other matters in the agenda of each Board or committee meeting. Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary") who is responsible for ensuring that the Board procedures are complied with in addition to advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as requested by the Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors may attend meetings in persons or through other means of electronic communication in accordance with the bye-laws of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Directors and senior management.

All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the Independent Non-executive Director has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's articles of association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with Code Provision A.6.5 of the CG Code, all Directors will participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2018, the Directors were provided with timely updates on the latest developments of the business of the Group. From time to time, the Directors are informed of the relevant GEM Listing Rules and other applicable regulatory requirements, so as to ensure that he/she is aware of his/her responsibilities and obligations to maintain good corporate governance practices.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 31 December 2018, the chairman of the Board is Mr. Long Hak Kan whereas the chief executive officer of the Company is Mr. Goujard. The roles of the chairman and the chief executive officer will be separate and distinct.

One of the important roles of the chairman is to provide leadership for the Board to ensure that the Board always acts in the best interest of the Group. The chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established and the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. The chairman has taken into account, where appropriate, any matters proposed by the Directors for inclusion in the agenda. The chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

### **APPOINTMENT, RE-ELECTION AND REMOVAL**

During the year, the Directors provided the Company and its subsidiaries with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company. Under Code Provision A.4.1 of the CG Code, each of the Non-Executive Directors and Independent Non-Executive Directors ("**INED**") has entered into a service contract or appointment letter with the Company for three years but subject to termination in certain circumstance as stipulated in the relevant service contract or appointment letter. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will 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 to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions in compliance with D.3.1 of the CG Code.

The duties of the Board in respect of the corporate governance functions include:

- (i) developing and reviewing the Company's policies and practices on corporate governance;





- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2018 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

### **BOARD DIVERSITY POLICY**

The Company has adopted the board diversity policy (the "**Board Diversity Policy**"). The Board Diversity Policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The Board Diversity Policy is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director as candidates for election during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board has to review the Board Diversity Policy and to disclose such policy or a summary of such policy in the corporate governance report, including any quantitative targets and standards and its progress with its implementation.

### **BOARD COMMITTEES**

The Board has established four board committees, namely the Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **RISK MANAGEMENT COMMITTEE**

The Company has established the Risk Management Committee on 21 December 2017 with written terms of reference in compliance with paragraphs D2 of the Code.

During the year, the Risk Management Committee held two meetings. The principal duties of the Risk Management Committee are, among other things, to provide risk management measures regarding operations of the Group to the Board.

As at 31 December 2018, the Risk Management Committee comprises three members namely:

Mr. Didier Paul Henri Goujard (*Chairman*)  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian

Majority of the members are Independent Non-executive Directors.

#### **AUDIT COMMITTEE**

The Company has established the Audit Committee on 21 December 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code.

During the year, the Audit Committee held four meetings. The principal duties of the Audit Committee are, among other things, to review the financial reporting process and internal control system of the Group, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

As at 31 December 2018, the Audit Committee comprises three members namely:

Ms. Lam Lai Ting Maria Goretti (*Chairman*)

Mr. Yiu Chun Kit

Ms. Chan Cheuk Man Vivian

All the members are Independent Non-Executive Directors (including two Independent Non-Executive Directors who possess the appropriate professional qualifications, accounting or related financial management expertise).

None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 21 December 2017 with written terms of reference in compliance with paragraph B.1.2 of the Code.

During the year, the Remuneration Committee held one meeting. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management.

As at 31 December 2018, the Remuneration Committee comprises three members namely:

Mr. Yiu Chun Kit (*Chairman*)

Ms. Lam Lai Ting Maria Goretti

Ms. Chan Cheuk Man Vivian

All the members are Independent Non-executive Directors.

## NOMINATION COMMITTEE

The Company has established the Nomination Committee on 21 December 2017 with written terms of reference in compliance with paragraph A.5.2 of the Code.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. The Nomination Committee held one meeting during the year. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

As at 31 December 2018, the Nomination Committee comprises three members namely:

Mr. Long Hak Kan (*Chairman*)

Mr. Yiu Chun Kit

Ms. Chan Cheuk Man Vivian

Majority of the members are Independent Non-executive Directors.

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which gives a true and fair view. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.



## INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls.

The Group's internal control systems include:

- monitoring the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks and compliance risks;
- evaluating the Group's exposure to international sanction law risks on an ongoing basis and, in particular, prior to entering into any agreement or conducting any business dealings with new customers;
- deciding on risk profile, risk levels, tolerance and capacity and related resources allocation;
- reviewing and approving the risk management strategy, policies and guidelines of the Group;
- reviewing the risk reporting record of the Group and material risk management updates and reports of material breaches of risk limits and assessing the adequacy of proposals;
- engaging external legal advisers with the necessary expertise and experience in international sanction law, and the general managers of each respective country to assist them in evaluating and monitoring international sanction law risks in the daily operations; and
- monitoring and approving the use of monies deposited in the designated account for the purpose of deposit and deployment of all funds raised through the Listing.

The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of the management's review on risk management and internal control systems; the extent and frequency of communication with the Board in relation to the result of the review of risk and internal control; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

To control risks in relation to any Countries subject to International Sanctions (as defined in the Prospectus) or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. The Company have adopted the policies as stated in the section headed "Business-Our undertakings and internal control procedures" in the Prospectus and have continuously implemented the following policies as at the date of this report:

1. The Company has set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Share Offer (as defined in the Prospectus) or any other funds raised through the Stock Exchange;
2. The Board has established a risk management committee to further enhance the existing internal risk management functions. The members of the committee comprise of Mr. Goujard, Ms. Chan and Ms. Lam, and their responsibilities include, among others, monitoring the exposure to sanctions risks and the implementation of the related internal control procedures. The risk management committee will hold at least two meetings each year to monitor the exposure to sanctions risks;

3. The Company has continuously evaluated the sanctions risks prior to determining whether the Company should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons (as defined in the Prospectus). According to the internal control procedures, the risk management committee has been established to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the risk management committee has been established to review the information (such as identity and nature of business as well as the customers' ownership) relating to the counterparty to the contract along with the draft business transaction documentation and has checked the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determined whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. Whether any potential sanctions risk is identified, the Company will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;
4. The Directors has continuously monitored the use of proceeds from the Share Offer (as defined in the Prospectus), as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;
5. The risk management committee has been established to periodically review the internal control policies and procedures with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice;
6. If necessary, external international legal counsel will provide training programs relating to the sanctions to the Directors, the senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to the Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches; and
7. Regarding the distributor customers, the Company has used best efforts to ensure that the distributor customers has warranted to the Company, either in the contracts with such distributor customers, or through the customers' delivery of an annual certification to the Company, that they are complying with International Sanctions laws in the sale or delivery of the products. In addition, in the event that the distributor customers are selling or delivering products to countries/entities subject to international sanctions, they shall ensure that the end customers are not Sanctioned Persons or provide the identity of such end customers prior for the Company to confirm whether such end customers are Sanctioned Persons, and the products shall not be sold to such end customers if such sale could result in any breach of international sanctions laws.

### **EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION**

PricewaterhouseCoopers was appointed as the external auditor since the Listing of the Company on the GEM Board of the Stock Exchange. The statement of PricewaterhouseCoopers in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.



The fees paid/payable to PricewaterhouseCoopers for the year ended 31 December 2018 are set out as follows:

	<b>Fee paid/payable</b> <i>HK\$'000</i>
Audit services	1,000
Non-audit services	–
Total	1,000

### **COMPANY SECRETARY**

The Company Secretary is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with shareholders and management.

Ms. Ho Dora is the Company Secretary. The biographical details of Ms. Ho are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. In accordance with Rule 5.15 of the GEM Listing Rules, Ms. Ho had taken no less than 15 hours of relevant professional training during the year under review.

### **COMPLIANCE OFFICER**

The compliance officer of the Company is Ms. Ho Dora whose biographical details are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. She was appointed pursuant to Rule 5.19 of the GEM Listing Rules.

### **INVESTOR RELATIONS**

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports. The corporate website of the Company ([www.atlinks.com](http://www.atlinks.com)) has provided an effective communication platform to the public and the shareholders.

### **INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT**

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her 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.

<b>Name of Directors</b>	<b>CPD Participation</b> <b>Yes/No</b>
<b>Executive Directors</b>	
Mr. Didier Paul Henri Goujard	Yes
Mr. Jean-Alexis René Robert Duc	Yes
Ms. Ho Dora	Yes
Mr. Long Shing	Yes
<b>Non-executive Directors</b>	
Mr. Long Hak Kan	Yes
Mr. Long Fung	Yes
<b>Independent Non-executive Directors</b>	
Mr. Yiu Chun Kit	Yes
Ms. Lam Lai Ting Maria Goretti	Yes
Ms. Chan Cheuk Man Vivian	Yes

Participation in CPD includes attending seminars, reading relevant materials in relation to the business of the Group, directors’ duties, latest development of the GEM Listing Rules and other applicable regulatory requirements.

## SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. The annual general meeting and other general meetings of the Company are primary forums for communication between the Company and its shareholders. The Company provides shareholders with relevant information on the resolution(s) proposed at general meetings in a timely manner in accordance with the GEM Listing Rules. The information provided is reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

## CONSTITUTIONAL DOCUMENTS

The Company has no significant changes in the Company's constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 64 of the Articles of Association of the Company which provides that extraordinary general meetings should be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitionist(s) may convene an extraordinary general meeting himself/themselves, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 113 of the Company's Articles of Association. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

## PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of the Company Secretary, by email: enquiry@atlinks.com, or by post to Unit 1818, 18/F, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

## INFORMATION DISCLOSURE

The Company discloses information in compliance with the GEM Listing Rules and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

## CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

Atlinks Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to present this Environmental, Social and Governance Report (the “**Report**”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

## Preparation Basis and Scope

This Report is prepared in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”)-“Environmental, Social and Governance Reporting Guide” and complies with the principle of “comply or explain” provision in the GEM Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities-the design, development, markets and sale of fixed-line telephone, mobile phones, video multimedia terminals, and other communication products dedicated to the elderly in both Hong Kong (“**HK**”) and France. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2018 to 31 December 2018.

## Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by enquiry@Atlinks.com.

## INTRODUCTION

The Group is principally engaged in designing, developing marketing and selling fixed-line telephones, mobile phones, video, multimedia terminals, and other communication products dedicated to the elderly. Our customers are mainly included telecom operators and professional and consumer retailers channels all around the world. We are dedicated to develop and sale communication products to different categories of people and fulfilling their specific expectations by using adapted and convenient technologies to each category.

The Group is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and the opinions from stakeholders. Sustainability is crucial for the Group’s growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor our operation risks relating to the environment and society. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group’s business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group’s activities, products, services and relationships. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group’s roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

<b>Stakeholders</b>	<b>Expectations</b>	<b>Engagement channels</b>	<b>Measures</b>
Government	<ul style="list-style-type: none"> <li>- Comply with the laws</li> <li>- Proper tax payment</li> <li>- Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>- On-site inspections and checks</li> <li>- Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>- Annual reports</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (e.g. accepted 1-2 on-site inspections throughout the year), and actively undertook social responsibilities</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>- Low risk</li> <li>- Return on the investment</li> <li>- Information disclosure and transparency</li> <li>- Protection of interests and fair treatment of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Annual general meeting and other shareholder meetings</li> <li>- Annual report, announcements</li> </ul>	<ul style="list-style-type: none"> <li>- Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars and three periodic reports in total in the year. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing once. Disclosed company contact details on website and in reports and ensured all communication channels are available and effective</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Safeguard the rights and interests of employees</li> <li>- Working environment</li> <li>- Career development opportunities</li> <li>- Self-actualisation</li> <li>- Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Trainings, seminars, briefing sessions</li> <li>- Cultural and sport activities</li> <li>- Newsletters</li> <li>- Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>- Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need and organising employee activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Safe and high-quality products</li> <li>- Stable relationship</li> <li>- Information transparency</li> <li>- Integrity</li> <li>- Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>- Website, brochures</li> <li>- Email and customer service hotline</li> <li>- Regular meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Developing products and services that promote the healthiness and well-being of customers through the application of our consumer products.</li> </ul>





Stakeholders	Expectations	Engagement channels	Measures
Suppliers/ Partners	<ul style="list-style-type: none"> <li>- Long-term partnership</li> <li>- Honest cooperation</li> <li>- Fair, open</li> <li>- Information resources sharing</li> <li>- Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>- Business meetings, supplier conferences, phone calls, interviews</li> <li>- Regular meeting</li> <li>- Review and assessment</li> <li>- Tendering process</li> </ul>	<ul style="list-style-type: none"> <li>- To select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors</li> </ul>

With these on-going dialogues, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The principle of materiality strengthens the Group’s ESG reporting which means understanding the ESG issues that are important to the Group’s business, informing the issue and key performance indicators (KPIs) to cover in the Report. The Group’s approach to materiality in this Report is based on the best-practice recommendations of the ESG Reporting Guide and the GRI Guidelines.

In 2018, the Group evaluated the importance of global sustainability challenges to the Group. As part of this exercise, internal and external stakeholders, including employees, consumers, distributors, investors, suppliers and the community, contributed their perspectives regarding ESG reporting and the broader ESG issues relevant to the Group. The assessment also considered ESG issues relevant to the Group’s industry and operation locations and included the following steps:

**Step 1: Identification – Industry Benchmarking**

- Relevant ESG issues were identified based on feedback from investors, sustainability indices and the ESG reports of the Group’s local and international industry peers.
- The materiality of each ESG issue was determined based on the frequency of its disclosure by selected peer companies.

**Step 2: Prioritization – Stakeholder Engagement**

- The Group engaged key stakeholders on ESG issues affecting the Group.
- Stakeholders were asked to rank each of the shortlisted ESG issues according to their view of its importance to the operation of the Group.

**Step 3: Validation – Determining Material Issues**

- The Group’s management validated the range of ESG issues being reported to ensure the results of the materiality assessment were in line with and reflective of issues important to business development.

As a result of this process carried out in 2018, those important issues to the Group were discussed in this Report.

**ENVIRONMENTAL ASPECTS**

As a fab-less company, the Group is aware of the impact of our business on the environment. The Group is committed to minimizing its environmental impacts by responsibly managing its business, reducing its carbon footprint and using resources effectively. Hence, the Group participates in several programs which helps mitigate the adverse effects on environments. We focus on eco-design, which helps reduce waste production, increase in recycling rates and lengthen the life-cycles of the products. We have also established relevant emissions reduction and energy saving initiatives to manage the emission and maintain green operations.

## EMISSIONS

The Group complies with the regulations of National Emission Reductions (2016/2284/EU) in European Union (“EU”) and Air Pollution Control Ordinance (Cap. 311) in Hong Kong. During the reporting period, the Group had no material non-compliance regarding environmental issues. During the reporting period, the Group was not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

### Greenhouse Gas (“GHG”) Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. Energy consumption accounts for a major part of our GHG emission. The Group endeavours to improve energy efficiency and reduce energy consumption by adopting energy saving initiatives mentioned in the section “Use of Resources” of this Report. The decrease in GHG emission in 2018 was attributable to the energy and resources saving by the effective implementation of the Group’s energy and resources policy. During the reporting period, the GHG emission was as follows:

GHG Emission	Unit	2018 HK	2018 France	2018 Total	2017 Total
Scope 2	tonnes of CO <sub>2</sub> -e	<b>23.37</b>	<b>0.43</b>	<b>23.80</b>	26.63
Total	tonnes of CO <sub>2</sub> -e	<b>23.37</b>	<b>0.43</b>	<b>23.80</b>	26.63
Intensity	tonnes of CO <sub>2</sub> -e/m <sup>2</sup>	<b>0.06</b>	<b>0.001</b>	–	HK:0.06 France: 0.0012

### Hazardous and Non-hazardous Wastes

The Group does not generate any hazardous waste. Non-hazardous wastes generated from the Group includes paper and office wastes. The decrease in non-hazardous waste produced was attributable to the implementation of various environmental measures to reduce non-hazardous wastes. For instance, double-side printing of paper is recommended, lighting and electric devices (computer, monitor, air-conditioning system, etc.) are turned off after office hour or when they are not in use.

The wastes generated by the Group during the reporting period are as follows:

Waste Disposal	Unit	2018 HK	2018 France	2018 Total	2017 Total
Non-hazardous wastes produced					
Office waste	tonnes	–	<b>0.19</b>	–	–
Paper	tonnes	–	<b>84.11</b>	<b>84.11</b>	92.19
Total	tonnes	–	<b>84.30</b>	<b>84.30</b>	92.19
Non-hazardous wastes produced intensity	tonnes/m <sup>2</sup>	–	<b>0.22</b>	–	France: 0.24

<sup>1</sup> The calculation of the greenhouse gas emission is based on the “Corporate Accounting and Reporting Standard” from greenhouse gas protocol.

<sup>2</sup> Scope 1: Direct emission from sources that are owned or controlled by the Group.

<sup>3</sup> Scope 2: Indirect emissions from purchased electricity consumed by the Group.

## USE OF RESOURCES

The Group places a great emphasis on environmental protection to ensure efficient use of energy and resources. With the implementation of the Group's energy and resources policy, the Group strives to reduce the resources consumption by implementing energy and water efficiency initiatives and encouraging its employees, customers, business partners and the community to adopt environmentally responsible behaviour.

### Energy Consumption

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance. We are also exploring energy saving and green management measures for our business, and strive to reduce resource consumption as much as possible. The energy consumption remained stable in 2018 as the sales of fixed-line telephones, mobile phones, video, multimedia terminals, and other communication products remained stable during the year. During the reporting period, the energy consumptions are as follows:

Energy	Unit	2018 HK	2018 France	2018 Total	2017 Total
Purchased electricity	kWh in '000s	45.83	19.23	65.06	61.91
Total energy consumption	kWh in '000s	45.83	19.23	65.06	61.91
Intensity	kWh in '000s/m <sup>2</sup>	0.11	0.12	–	HK: 0.12 France: 0.03

### Water Consumption

The Group's HK and France offices are situated in commercial buildings where the water supply is solely controlled by the property management company. Hence, it is not feasible for the Group to provide water consumption data as there is no sub-meter to record water usage. In spite of this, the Group strives to reduce unnecessary water consumption by turning off the water taps when they are not in use and reporting to relevant authority immediately in case of leaking faucet.

## THE ENVIRONMENT AND NATURAL RESOURCES

With the integration of policies and measures to reduce emissions and resources consumption, the Group strives to reduce the impacts on the environment and natural resources. The Group also provides trainings for employees to increase their awareness of environmental protection at work and in life.

## SOCIAL ASPECTS

### EMPLOYMENT AND LABOUR PRACTICES

#### EMPLOYMENT

The Group believes that people are important assets and competent staff is the foundation for success and development of the Group. Policies are in place to stipulate key human resources management practices in recruitment, promotion, resignation, working hours, equal opportunities and compensation benefits. The principle of equal opportunities is applied in the recruitment and promotion policies. The Group promotes fair competition. All employees are hired based on the merits and treated equally, regardless of their nationality, race, gender, age, religion and marital status, etc.

The Group also advocates harmonious and work-life balance culture through organizing a diversified choice of activities for employees. We organised annual dinner, annual travel and employee gatherings during the reporting period. Those activities can enable employees to relax and enhance the communications among employees.

The adoption of these human resources policies and procedures also ensures the Group's compliance with the relevant labour laws and regulations where it operates, including Employment Ordinance in Hong Kong and European Working Time Directive in EU respectively. During the reporting period, there was no non-compliance related to applicable employment laws and regulations.

#### Employees insurances and medical checks

All our employees are entitled to a personal and family medical insurance, as well as travellers' insurance when travelling on a company mission. Wherever the regulations require a medical check, they are duly performed. Records are kept in the HR files.

### **Contract of progress, labour/management relations**

The Contract of Progress (“COP”) is the document which the managers and the employees set the objectives for the year. The objectives including both team and individuals. They are reviewed by the staff managers on a yearly basis in the meetings. Besides, the competences of the employees and training can be reviewed in the meetings as well.

### **HEALTH AND SAFETY**

The Group is committed to providing a healthy and safe workplace for all its employees. We conduct risk assessment in order to help our employee identify potential hazard to health and safety. In 2018, no concluded cases regarding health and safety brought against the issuer or its employees were noted.

Besides, the following programs have been deployed in relation with the hazards and risk level identified by the Company and its employees within the framework of the “Occupational Health and Safety Management Systems” The series of implementations are listed below:

- Staff have been trained to the fire risk, by performing drills and the usage of fire extinguishers;
- First Aid Kit and first aid training;
- Driving safe chart published and sign by the company car drivers;
- A set of videos to recall the traffic rules has been provided to French staff, with a quiz test;
- Office exercising guidance;
- Ergonomic assessment on the use of computer and screen;
- E-mail management guidance for the stress reduction; and
- Anti-smoking campaign in the French subsidiary.

### **DEVELOPMENT AND TRAINING**

The aim of the staff training is to (i) contribute to the development of competencies within staff to better address existing and future needs of the Group; (ii) identify the technological and organizational evolutions; (iii) anticipate and accompany professional evolutions of the staff according to the Group’s needs; and (iv) improve the level of expertise, knowledge and competency of the staff.

A training plan is established in accordance with the needs of the Group and the staff. There are trainings and awareness meetings organized yearly on the field of quality, environment, health and safety and sustainable development areas, for all the staff.

### **LABOUR STANDARDS**

#### **Freedom of association and collective bargaining**

The Group has always guaranteed the freedom of association in full compliance with current regulations. The employees are represented by electing their representatives. Human resources and management are in direct contact with the representatives and staff, with a formal and informal interchange of news and information.

Moreover, the Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group strictly complies with the relevant laws and regulations, such as Employment Ordinance in HK and OSH Framework Directive (89/391 EEC) in EU respectively. According to the Labour and Employment Management Procedures of the Group, person under 16 is not allowed to work in the Group and there is zero tolerance to child labour and forced labour. Our suppliers are expected to follow the same standard of labour practices when working with us. During the reporting period, the Group did not have any cases related to child labour or forced labour.

## **OPERATING PRACTICES**

### **SUPPLY CHAIN MANAGEMENT**

Our suppliers are one of the main stakeholders and since many years ago, a process of selection and evaluation of suppliers is being applied with success. We evaluate by audits and rate our suppliers to avoid child labour and any compulsory or force labour. Moreover, we evaluate by audits and rate our suppliers in the Health and Safety aspects. The Group emphasize on the quality and safety of the products supplied, brand image and the corporate social responsibilities of the suppliers. Only those who fulfil the Group's criteria and comply with all the relevant national standards are qualified to be our suppliers.

#### **Chemicals management**

The Group complies with the regulations in force regarding the Restriction of Hazardous Substances (2002/954/EC) ("RoHS") and Restriction, Evaluation, Authorization of Chemicals (EC/2006/1907). We request the manufacturers to provide us every year a declaration of substances contained in each product and also their compliance with the RoHS regulation. Moreover, the Group performs suppliers audits to make sure the control on those substances is implemented properly at their manufacturing sites. In addition, we keep record of all the certificates issued by our vendors in our system.

## **PRODUCT RESPONSIBILITY**

### **Protection of customers' rights and interests**

The Group cares about the health and safety, therefore, our products comply with the Low voltage Directive (2006/95/EC) and Electromagnetic compatibility Directive (2004/108/EC). Tests are performed for safety products approval before deliver to the market, and there were records keep for compliancy demonstration. Besides, the Group make an effort to improve customer service and some of the achievement are listed below:

- We have a web site with customers interface to ask questions related to our products or services.
- We do provide our user guides in an extended version, and we include in the packaging only a simpler version (less paper to print).
- We have a Call Center "Hot line" to provide support for the usage or what to do in case of doubts, or for any quality issues with the products.
- We provide 18 to 24 months warranty for better satisfaction.
- We have implemented a service center to repair or refurbish the products.
- The service center has an integrated management system certified for Quality, Environment, and Health and Safety.
- The service center also manages the "WEEE" following the European Directive (2012/19/EU).

### **Product external evaluations (ECO-rating)**

The Group participates in the Eco-rating, which is an external evaluation program launched by the World Wildlife Fund. It helps rank the environmental performance of products that based on Carbon dioxide footprint, natural resources preservation evaluation and eco-design.

## **CUSTOMER PRIVACY**

The Group is committed to protecting the confidentiality of the personal data and privacy of our customers. Therefore, the Group strictly complies with the Regulation (EU) 2016/679 in France and Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong.

## **ANTI-CORRUPTION**

The Group has issued a Code of Conduct, applicable to all employees and consultants working on behalf of the Group. This Code of Conduct reflects the policy of the company to avoid any corruption, bribery or extortion, and respect of the rules and regulations related to these aspects. Every employee has the responsibility to ask questions, seek guidance, and report suspected violations of this Code of Conduct reflects, to the local or global Management, employee's representatives or the Management representative.

Moreover, we have edited a Code of Conduct Handbook with tools to help the understanding of corruption and bribery and to evaluate the risks by areas and countries where we operate.

In addition, the Group has been in strict compliance with the related local laws and regulations in EU and Hong Kong including Prevention of Bribery Ordinance and Money Laundering Directive (2001/97/EC). During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees.

## **COMMUNITY**

### **COMMUNITY INVESTMENT**

In 2018, the Group has continued to collaborate with local associations to promote the development. This year, we collaborate with Screelec to take part in the special collection of batteries in our premises for giving a donation to the Téléthon. This event raises money for medical research in the domain of rare sickness. Moreover, we participate in “Without Smoking” event, which is a French campaign aiming at the smoking habit. In addition, we are committed to supporting and contributing to the society by implementing related policies and measures to understand the needs of the community. Contribution to the community and maintaining a harmonious relationship with the stakeholders in the region of operation are crucial for the sustainable development of the Group. Besides, the Group was awarded with “Sustainability Leadership Award of 2019 Best Performer China” from EcoVadis on 11 March 2019.

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The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

## **CORPORATE REORGANISATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2017.

In preparing for the Listing, the Group underwent the Reorganisation (as defined under note 1 to the consolidated financial statements) and the Company became the holding company of the companies comprising the Group upon the completion of the Reorganisation. Details of the Reorganisation are set out in the Company's Prospectus dated 30 December 2017. The shares of the Company were listed on GEM of the Stock Exchange with effect from 19 January 2018.

## **BUSINESS REVIEW**

Details of business review are set out in the section headed "Management Discussion and Analysis" on pages 5 to 9.

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The Company, together with its subsidiaries are a home and office telecommunications product designing company and we sell our products through telecom operators, large consumer retail chain stores and distributors mainly located in Europe and Latin America. An analysis of the Group's performance for the year by operating segment in Note 5 to the consolidated financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2018 are set out in the consolidated financial statements on pages 47 to 101 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 December 2018.

## **PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP**

### *Reliance on the Alcatel brand to manufacture products for the majority of our sales*

We have entered into a licence agreement with Alcatel Lucent, due to expire in 2027. During the years ended 31 December 2017 and 31 December 2018, sales of products bearing the Licensed Marks accounted for approximately 90.4% and 82.0% of our revenue, respectively. A decrease in demand for the products sold under the Licensed Marks may adversely affect our operations and financial conditions.

### *No long term purchase commitments from our five largest customers*

We generally do not enter into any long-term agreements with our five largest customers to secure purchase obligations. The purchases by our five largest customers are made from time to time with no commitment to place future orders with us. Consequently there is no assurance that our five largest customers will continue to place orders with us at all or at the same level as which they historically have done. During the years ended 31 December 2017 and 31 December 2018, the sales of products to our five largest customers accounted for approximately 37.4% and 32.2% of our revenue, respectively. In the event there is a significant decrease in orders from our five largest customers and we are unable to obtain replacement orders, our results of operations would be adversely affected.

### *Dependence on our major suppliers for the manufacturing of our products*

For the years ended 31 December 2017 and 31 December 2018, purchases from our five largest suppliers account for approximately 99.4% and 89.7% of our total purchases, respectively. During the same periods, purchases from our largest supplier accounted for approximately 63.4% and 49.7% respectively. Any shortage or delay in supply from our suppliers would adversely affect our business and results of operations if we cannot secure suitable alternative sources of manufacturing of our products immediately.

## **INTEREST CAPITALISED**

No interest was capitalised by the Group for the year ended 31 December 2018.



## **DIVIDEND AND DISTRIBUTABLE RESERVES**

For year ended 31 December 2018, our Group has no dividend paid (2017: N/A). Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. We do not have any fixed dividend policy. Any declaration and payment as well as the amount of dividends will be subject to the articles of association of the Company and the Companies Law. Dividends may be paid out of the Company's distributable profits as permitted under the relevant laws.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on page 102 of the annual report.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **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 purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries. No share options have been granted under the scheme since its adoption.

### **(1) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

### **(2) Who may join and basis of eligibility**

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

### **(3) Price of shares of the Company (the "Share(s)")**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

### **(4) Grant of options and acceptance of offers**

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

**(5) Maximum number of Shares**

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the GEM Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

**(6) Maximum entitlement of each Eligible Person**

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

**(7) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

**(8) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme during the year ended 31 December 2018. As at 31 December 2018, the Company has no outstanding share option under the Share Option Scheme.

**DIRECTORS**

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

**Executive Directors:**

Mr. Didier Paul Henri Goujard  
Mr. Jean-Alexis René Robert Duc  
Ms. Ho Dora  
Mr. Long Shing

**Non-executive Directors:**

Mr. Long Hak Kan  
Mr. Long Fung

**Independent Non-executive Directors:**

Mr. Yiu Chun Kit  
Ms. Lam Lai Ting Maria Goretti  
Ms. Chan Cheuk Man Vivian



## BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

## EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

The emoluments of the senior management of our Group for the year ended 31 December 2018 falls within the following band:

Emolument bands (in HK\$)	Number of individual
Up to HK\$1,000,000	0
HK\$1,000,001 to up to HK\$2,000,000	1

## DIRECTORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with the Company for an initial fixed term of five years for executive Directors and three years for non-executive and independent non-executive Directors and may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to the Company not less than three months' prior notice in writing.

## TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors were appointed for a specific terms subject to the relevant provisions of the articles of association or any other applicable laws whereby the Directors shall vacate or retire from their office.

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

As the Shares were listed on the GEM of the Stock Exchange on 19 January 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as at 31 December 2018.

On the listing date of the Company on 19 January 2018 ("Listing Date"), 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%
Long Hak Kan ("Mr. Long") (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 ("TOHL")	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 the Listing Date, 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’ AND CONTROLLING SHAREHOLDERS’ 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 year ended 31 December 2018.

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

On the Listing Date, 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:

#### **Long positions in shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
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, on the Listing Date, 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.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.



## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	<b>Percentage of the Group's total purchases</b>
The largest supplier	49.7%
Five largest suppliers in aggregate	89.7%
	<b>Percentage of the Group's total sales</b>
The largest customer	8.9%
Five largest customers in aggregate	32.2%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major supplier and customers.

## KEY RELATIONSHIPS WITH CUSTOMERS

The Group's customers include large consumer retail chain stores, telecom operators and distributors in Europe and Latin America. During the year ended 31 December 2018, the sales of our products to our largest customer and five largest customers accounted for approximately 8.9% and 32.2% of our revenue, respectively. Even though we do not enter into any long-term agreements with our five largest customers to secure purchase obligations, we were able to consistently maintain good and stable relationships with them.

## KEY RELATIONSHIPS WITH SUPPLIERS

Most of our suppliers are electronics manufacturers and suppliers in Hong Kong with factories in the PRC. Although we usually outsource the production of our products to a few manufacturing subcontractors, our Directors confirm that we are constantly looking for and would be able to secure alternative suppliers with comparable quality and prices as replacement in the event that our major manufacturing subcontractors ceased their business relationship with us. During the year ended 31 December 2018, our total purchases from our largest supplier and five largest suppliers accounted for approximately 49.7% and 89.7% of our revenue, respectively. Accordingly, we are dependent on the continuous supply of products from a few suppliers.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations. The risk of non-compliance with the relevant requirements would subject us to fines, penalties or other liabilities which could lead to adverse impact on our financial position. The Board as a whole is responsible to ensure the Group complies with the relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group is unaware of any material non-compliance with relevant laws and regulations during the year ended 31 December 2018.

## KEY RELATIONSHIPS WITH EMPLOYEES

The Group offers competitive remuneration packages to its employees and a year-end bonus will be paid to them as recognition and rewards for their contributions according to individual performance. The Group considers its employees the key to sustainable business growth. Workplace safety is priority of the Group, and so the Group organizes yearly trainings and awareness meetings for all its employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group believes that sound environmental, social and governance performance is of critical importance to the sustainability of its business and community. The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. The Board is pleased to present the Environmental, Social and Governance (“ESG”) report for the year ended 31 December 2018. This report has been prepared with reference to ESG Reporting Guide issued by the Stock Exchange and is set out in the section headed “Environmental, Social and Governance report” in this annual report.

## CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 December 2018 is contained in Note 32 to the consolidated financial statements. To the best knowledge of the Directors, none of the related party transactions constituted connected transaction that need to be disclosed under the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2018.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company’s issued shares at the year ended 31 December 2018 prior to issue of this report under the GEM Listing Rules.

## NON-COMPETITION UNDERTAKING

On 21 December 2017, the Company entered into the Deed of Non-competition with each of the controlling shareholders (“**Controlling Shareholders**”) of the Company. The independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by the controlling shareholders.

The Company wishes to disclose that each of the Controlling Shareholders provided a written confirmation (the “**confirmation**”) to the Company on 22 March 2019 confirming that he/she/it has duly complied with the non-competition covenants and undertakings in the Deed (the “**Undertakings**”) for the year ended 31 December 2018. The independent non-executive Directors also noted that (a) the Controlling Shareholders declared that they had fully complied with the Undertakings for the year ended 31 December 2018; (b) no new competing business was reported by the Controlling Shareholders for the year ended 31 December 2018, and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that all of the Undertakings were complied with by the Controlling Shareholders for the year ended 31 December 2018.

## COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of the Directors, 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 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.





### **PERMITTED INDEMNITY PROVISIONS**

Pursuant to Article 191 of the Company's Articles of Association every Director, Secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against any actions, cost, charges, losses, damages and expenses, as a result of any act done, concurred in or omitted in or about the execution of their duty. The Company has also maintained the Directors and officers liability insurance during the year.

### **AUDITOR**

The consolidated financial statements have been audited by PricewaterhouseCoopers and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

This annual 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*

22 March 2019



# Independent Auditor's Report

## To The Shareholders of Atlinks Group Limited

*(incorporated in the Cayman Islands with limited liability)*

### Opinion

#### What we have audited

The consolidated financial statements of Atlinks Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 47 to 101, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

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 2018, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 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.



## Key Audit Matters *(Continued)*

Key audit matters identified in our audit are summarised as follows:

- Impairment of trade receivables
- Provision for impairment of inventories
- Impairment assessment of intangible assets

### Key Audit Matter

#### Impairment of trade receivables

Refer to Note 4 and Note 20 to the consolidated financial statements of the Group.

As at 31 December 2018, the Group had gross trade receivables of EUR9,837,857 (2017: EUR10,293,504) and provision for loss allowance of EUR114,857 (2017: EUR97,549).

Management performed the impairment assessment of trade receivables as at 31 December 2018 based on information including but not limited to, aging of trade receivables, past repayment history, subsequent settlement status and financial capability of the customers.

Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the magnitude of the trade receivable balances and the significant management judgements and estimates in determining the expected loss allowance of the trade receivables.

As at 31 December 2018, included in the trade receivable is an amount of EUR606,385 which is aged for more than 1.8 years and a specific loss allowance was provided on 10% of the overdue balance. The Group filed a credit insurance claim in respect of 90% of the overdue balance but the claim case is put on hold due to a dispute. The Group has commenced legal proceeding, and the directors are of the opinion that no additional loss allowance is necessary based on the latest available information.

### How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of trade receivables included:

- Understanding the status of each of the material receivables that was past due through discussions with management and the sales team;
- Checking, on a sample basis, the accuracy of the trade receivables aging analysis used by management to estimate the appropriate provision for loss allowance;
- Checking, on a sample basis, the subsequent settlement of trade receivables by customers after year end date;
- Evaluating management's assessment and explanations on the individually significant trade receivables that were past due as at 31 December 2018 with reference to supporting evidence such as payment history of the customers, correspondences with customers and search of the customers' public profiles; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

Based upon the above procedures, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

**Key Audit Matters** *(Continued)*

**Key Audit Matter**

**How our audit addressed the Key Audit Matter**

**Provision for impairment of inventories**

Refer to Note 4 and Note 19 to the consolidated financial statements.

As at 31 December 2018, the Group held inventories of EUR8,523,201 (2017: EUR5,216,318), and a provision of EUR288,972 (2017: EUR259,496) was made.

As described in the accounting policies in Note 2.11 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value.

Management determined the appropriate provisions for obsolete or slow-moving inventories based upon a detailed analysis of long-aged inventory and the estimated selling prices.

We focused on this area due to the magnitude of inventories and the significant management judgements and estimates used to determine the provision for obsolete or slow-moving inventories.

Our procedures in relation to management's impairment assessment of inventories included:

- Performing analytics on stock holding and movement data to identify products with indication of slow movement or obsolescence;
- Checking, on a sample basis, the accuracy of the aging analysis of inventories prepared by management;
- Comparing, on a sample basis, the net realisable value of inventories to the selling price of inventories sold subsequent to the year-end or, where there were no subsequent sales, the estimated selling prices as determined by management. We evaluated the sales plan and forecast that management considered when determining the estimated selling prices by comparing the estimated selling price to the most recent selling price prior to the year-end;
- Recalculating the inventories provisions as at year end.

Based on the above procedures, we found that management's judgements and estimates of impairment of inventories are supported by available evidence.



**Key Audit Matters** *(Continued)*

**Key Audit Matter**

**Impairment assessment of intangible assets**

Refer to Note 4 and Note 16 to the consolidated financial statements.

As at 31 December 2018, the Group had intangible assets of EUR3,895,094 (2017: EUR3,822,194), and for the year then ended, the Group recorded a loss for the year of EUR549,130, excluding the effect of the listing related expenses (2017: profit of EUR352,163).

For the purpose of assessing impairment, intangible assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessments, significant management judgement was used to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, terminal growth rates and discount rates, used in the value-in-use calculations. Management has concluded that there is no impairment on intangible assets.

**How our audit addressed the Key Audit Matter**

Our audit procedures to management's impairment assessment of intangible assets included:

- Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business;
- Assessing the value-in-use calculation methodology adopted by management;
- Comparing the data in the cash flow projections to the historic performance and considering the reasonableness of the cash flow projections based on the key assumptions;
- Assessing the reasonableness of the key assumptions, including revenue growth rates, terminal growth rates and discount rates, based on our knowledge of the business and industry; and
- Performing sensitivity analyses on the key assumptions to which the valuation models are the most sensitive.

Based on the above procedures, we found that management's judgements and estimates of impairment of intangible assets are supported by available evidence.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company 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 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 audit committee is responsible for overseeing the Group's financial reporting process.

## 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. We report our opinion solely to you, as a body, 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

*(Continued)*

- 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, related safeguards.

From the matters communicated with the audit committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is KONG Ling Yin, Raymond.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 22 March 2019

# Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Revenue	5	<b>35,839,865</b>	35,841,693
Cost of sales	8	<b>(25,620,351)</b>	(25,581,704)
Gross profit		<b>10,219,514</b>	10,259,989
Other income	6	<b>55,492</b>	224,166
Other gain/(loss)	7		
– Exchange difference		<b>177,214</b>	260,223
– Fair value changes on derivative financial instruments		<b>105,704</b>	(455,950)
Selling and distribution expenses	8	<b>(4,114,067)</b>	(3,245,235)
Administrative expenses	8		
– Legal and professional fee for listing preparation		<b>(189,789)</b>	(1,537,703)
– Net impairment losses on financial assets	3.1(c)	<b>(17,308)</b>	(76,524)
– Others		<b>(6,694,973)</b>	(5,881,990)
<b>Operating loss</b>		<b>(458,213)</b>	(453,024)
Finance income	11	<b>5,241</b>	1,472
Finance costs	11	<b>(353,287)</b>	(412,679)
Finance costs, net	11	<b>(348,046)</b>	(411,207)
<b>Loss before income tax</b>		<b>(806,259)</b>	(864,231)
Income tax credit/(expenses)	12	<b>67,340</b>	(321,309)
<b>Loss for the year</b>		<b>(738,919)</b>	(1,185,540)
Attributable to:			
Equity holders of the Company		<b>(735,233)</b>	(1,168,505)
Non-controlling interests		<b>(3,686)</b>	(17,035)
		<b>(738,919)</b>	(1,185,540)
<b>Loss per share</b>			
– Basic and diluted (expressed in Euro cents per share)	13	<b>(0.19)</b>	(0.39)

The above consolidated income statement should be read in conjunction with the accompanying notes.



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 EUR	2017 EUR
<b>Loss for the year</b>	<b>(738,919)</b>	(1,185,540)
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<b>79,903</b>	(686,513)
<i>Items that may not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement plans, net of tax	<b>1,050</b>	(2,428)
Other comprehensive income/(loss) for the year	<b>80,953</b>	(688,941)
<b>Total comprehensive loss for the year</b>	<b>(657,966)</b>	(1,874,481)
Attributable to:		
Equity holders of the Company	<b>(655,978)</b>	(1,849,916)
Non-controlling interests	<b>(1,988)</b>	(24,565)
	<b>(657,966)</b>	(1,874,481)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 EUR	2017 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	499,157	177,649
Intangible assets	16	3,895,094	3,822,194
Deferred income tax assets	27	922,325	835,062
Prepayments, deposits and other receivables	21	47,710	–
		<b>5,364,286</b>	4,834,905
<b>Current assets</b>			
Inventories	19	8,234,229	4,956,822
Deferred income tax assets	27	24,709	32,450
Derivative financial instruments	17	19,749	–
Trade receivables	20	9,723,000	10,195,955
Prepayments, deposits and other receivables	21	1,251,467	1,562,133
Current income tax recoverable		63,873	–
Pledged bank deposits	22	2,038,442	2,062,879
Cash and cash equivalents	22	3,324,261	4,813,033
		<b>24,679,730</b>	23,623,272
<b>Total assets</b>		<b>30,044,016</b>	28,458,177
<b>EQUITY</b>			
Equity attributable to the equity holders of the Company			
Share Capital	23	417,819	11
Reserves	23	9,060,870	6,159,622
		<b>9,478,689</b>	6,159,633
Non-controlling interests		44,874	46,862
<b>Total equity</b>		<b>9,523,563</b>	6,206,495

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position  
As at 31 December 2018

	Notes	2018 EUR	2017 EUR
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	27	2,853	60
Retirement benefits obligation	29	353,900	360,841
Other payables	25	2,652,104	2,920,802
		<b>3,008,857</b>	3,281,703
<b>Current liabilities</b>			
Trade payables	24	3,601,944	4,403,512
Contract liabilities		105,169	169,957
Deferred income tax liabilities	27	5,530	–
Accruals, provision and other payables	25	4,590,736	5,053,742
Loans from related parties	32	–	998,247
Derivative financial instruments	17	–	85,955
Income tax payable		–	97,273
Borrowings	26	9,208,217	8,161,293
		<b>17,511,596</b>	18,969,979
<b>Total liabilities</b>		<b>20,520,453</b>	22,251,682
<b>Total equity and liabilities</b>		<b>30,044,016</b>	28,458,177

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 47 to 101 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf

**Didier Paul Henri Goujard**  
*Executive Director*

**Ho Dora**  
*Executive Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

## Attributable to equity holder of Atlinks Group Limited

	Share capital EUR	Merger reserve EUR	Share premium EUR	Other reserve EUR	Retained earnings EUR	Total EUR	Non- controlling interest EUR	Total EUR
<b>Balance at 1 January 2017</b>	-	4,386,134	-	864,481	2,758,934	8,009,549	71,427	8,080,976
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	(1,168,505)	(1,168,505)	(17,035)	(1,185,540)
<b>Other comprehensive loss</b>								
Currency translation difference	-	-	-	(678,983)	-	(678,983)	(7,530)	(686,513)
Remeasurement of defined benefit retirement plans, net of tax	-	-	-	(2,428)	-	(2,428)	-	(2,428)
Other comprehensive loss	-	-	-	(681,411)	-	(681,411)	(7,530)	(688,941)
<b>Total comprehensive loss for the year</b>	-	-	-	(681,411)	(1,168,505)	(1,849,916)	(24,565)	(1,874,481)
Issuance of shares arising from Reorganisation	11	(11)	-	-	-	-	-	-
<b>Balance at 31 December 2017 and 1 January 2018</b>	11	4,386,123	-	183,070	1,590,429	6,159,633	46,862	6,206,495
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	(735,233)	(735,233)	(3,686)	(738,919)
<b>Other comprehensive income</b>								
Currency translation difference	-	-	-	78,205	-	78,205	1,698	79,903
Remeasurement of defined benefit retirement plans, net of tax	-	-	-	1,050	-	1,050	-	1,050
Other comprehensive income	-	-	-	79,255	-	79,255	1,698	80,953
<b>Total comprehensive loss for the year</b>	-	-	-	79,255	(735,233)	(655,978)	(1,988)	(657,966)
Proceeds from shares issued	417,808	-	4,734,254	-	-	5,152,062	-	5,152,062
Share issuance cost	-	-	(1,177,028)	-	-	(1,177,028)	-	(1,177,028)
<b>Balance at 31 December 2018</b>	417,819	4,386,123	3,557,226	262,325	855,196	9,478,689	44,874	9,523,563

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
<b>Cash flows from operating activities</b>			
Cash used in operations	28	(2,984,941)	(141,559)
Interest received		5,241	1,472
Income tax paid		(160,844)	(167,957)
Net cash outflow from operating activities		(3,140,544)	(308,044)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(512,899)	(43,027)
Purchase of intangible assets		(300,000)	–
Net cash outflow from investing activities		(812,899)	(43,027)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		36,763,755	40,994,362
Repayment of bank borrowings		(35,844,779)	(40,478,389)
Interest paid		(353,287)	(412,679)
Legal and professional fee paid for listing preparation		(2,416,334)	(488,186)
Pledged bank deposit for bank loans		64,396	96,955
(Repayment of loan)/loan from related parties		(998,247)	8,873
Proceeds from issuance of ordinary shares		5,152,062	–
Net cash inflow/(outflow) from financing activities		2,367,566	(279,064)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		4,813,033	5,992,129
Effects of exchange rate changes on cash and cash equivalents		97,105	(548,961)
Cash and cash equivalents at end of the year	22	3,324,261	4,813,033

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

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 three brands, namely Alcatel, Swissvoice and Amplicomms.

Pursuant to the group reorganisation as set out in the section headed “History, Development and Reorganisation” in the Company’s listing prospectus dated 30 December 2017 (the “Prospectus”), which was completed on 21 December 2017 (the “Reorganisation”), the Company became the holding company of its subsidiaries now comprising the Group. 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 consolidated financial statements of the Group has been prepared as if the Group had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Atlinks Group Limited and its subsidiaries.

### 2.1 Basis of preparation

#### (a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Atlinks Group Limited have been prepared in accordance with HKFRS and requirements of the Hong Kong Companies Ordinance Cap. 622.

#### (b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- (i) financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment – measured at fair value, and
- (ii) defined benefit pension plans – plan assets measured at fair value.

#### (c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

- HKFRS 9 – Financial Instruments
- HKFRS 15 – Revenue from Contracts with Customers
- Amendment to HKFRS 15 – Clarification to HKFRS 15
- Amendments to HKFRS 1 – First time adoption of HKFRS
- Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Annual Improvements 2014-2016 cycle
- HK(IFRIC) Interpretation 22 – Foreign Currency Transactions and Advance Consideration

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (c) New and amended standards adopted by the Group (Continued)

The Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of adopting HKFRS 9 and HKFRS 15. The impact of the adoption of these standards are disclosed below.

The adoption of other amendments on standards and interpretation did not have any material impact on the consolidated financial statements of the Group for the year.

#### (i) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.9 below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Impact of adoption:

#### *Classification and measurement of financial instruments*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories as detailed in Note 2.9 below. There were no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

There is also no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

#### *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables
- other financial assets at amortised cost (including cash and cash equivalents, pledged bank deposits and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

#### A. Trade receivables

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for individual group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward-looking information.

The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material additional impairment loss for trade receivables as at 1 January 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (c) New and amended standards adopted by the Group (Continued)

##### (i) HKFRS 9 Financial Instruments (Continued)

Impact of adoption: (Continued)

##### B. Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

While bank deposits and cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction Contracts, which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The adoption of HKFRS 15 did not have any material impact on the Group's consolidated financial position and results of operation for the year. There is also no material impact to the Group's retained earnings as at 1 January 2018.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.



**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**2.1 Basis of preparation** (Continued)**(c) New and amended standards adopted by the Group** (Continued)*(i) HKFRS 9 Financial Instruments* (Continued)

Impact of adoption: (Continued)

**B. Other financial assets at amortised cost** (Continued)

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018		
	As previously stated	Reclassification under HKFRS 15	Restated
	EUR	EUR	EUR
Consolidated statement of financial position (extracted)			
Other payables – contract liabilities	–	169,957	169,957
Other payables – advance receipts from customers	169,957	–	–

**(d) New standards and amendments to existing standards not yet adopted by the Group**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on
HKFRS 16	Leases	2019
HKFRS 17	Insurance contracts	2021
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	2019
HKAS 19	'Employee benefits' on plan amendment, curtailment or settlement	2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS	Annual Improvements to HKFRSs 2015-2017 Cycle	2019
Amendment to HKAS 28	Long term interests in associates and joint ventures	2019
Amendment to HKFRS 9	Prepayment features with negative compensation	2019
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### (d) New standards and amendments to existing standards not yet adopted by the Group *(Continued)*

##### *HKFRS 16 Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. As disclosed in Note 31, as at 31 December 2018 and 2017 the Group has non-cancellable operating leases commitments of EUR802,855 and EUR579,538 in respect of properties and other assets respectively. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be recognised, after taking into account the effects of discounting, as at 1 January 2019. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

The Group has not yet fully assessed the adjustments, if any, that are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 2.2 Principles of consolidation and equity accounting

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK\$"). The consolidated financial statements are presented in Euro ("EUR"), which is the Group's presentation currency as the directors considered that EUR is the appropriate presentation currency as the Group's operation is substantially in Europe.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 Foreign currency translation *(Continued)*

#### (b) Transactions and balances

Foreign currency transactions are translated into functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statements of comprehensive income, except when deferred in other comprehensive income ("OCI") as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the consolidated income statement within "other gains, net".

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	33% or over the lease term, whichever is shorter
Testing equipment	20% to 50%
Furniture and office equipment	33% to 50%
Tooling	33% to 67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.6 Property, plant and equipment *(Continued)*

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### 2.7 Intangible assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Intangible assets with definite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Licensing right	6%
Design patent	10%
Domain name and website	10%
Trademarks	5%-Indefinite

The estimated useful life for licensing right is 18 years which is the licensed period granted under licensing agreement.

The estimated useful life for designed patent is 10 years. It is referenced to the average products life cycle of similar products of the Group.

The estimated useful life for domain name and website is 10 years. It is referenced to the average business operating cycle and industry renew at practice.

The estimated useful life for a trademark is 20 years. It is referenced to the average estimated useful lives of similar trademarks in the market. Other trademark has indefinite useful life as it has been established over 100 years and there is no foreseeable limit to the years over which the asset is expected to generate economic benefits for the Group.

### 2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Financial assets

#### (a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### **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 are three measurement categories 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Financial assets *(Continued)*

#### (c) Measurement *(Continued)*

##### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (d) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected losses on the trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

#### (e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss, and
- loans and receivables.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

##### (i) *Subsequent measurement*

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in consolidated income statement.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Financial assets (Continued)

#### (e) Accounting policies applied until 31 December 2017 (Continued)

##### (ii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or a group of financial assets that could be reliably estimated.

##### Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.

If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in consolidated income statement.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where Atlinks Group Limited currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Atlinks Group Limited has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### 2.11 Inventories

#### Finished goods

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of the derivative financial instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement.



## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **2.13 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within one year or less (or in the normal operating cycle of the business if longer), and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.9 (b) for further information about the Group's accounting for trade receivables and Note 2.9 (d) and 3.1 (c) for a description of the Group's impairment policies.

### **2.14 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### **2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **2.16 Borrowing costs**

Borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

### **2.17 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.18 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **2.19 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.19 Current and deferred income tax *(Continued)*

#### Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

### 2.20 Employee benefits

#### (a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Employee benefits *(Continued)*

#### (a) Pension obligations *(Continued)*

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plans, recognised in the consolidated income statement in employee benefit expenses, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee services in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expenses in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the reporting date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses are recognised in full in the period in which they occur, in consolidated statements of comprehensive income.

#### (b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.21 Provisions *(Continued)*

#### Warranty claims

The Group generally offers eighteen-month to twenty four-month warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

As the Group is continually upgrading its product designs, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

### 2.22 Revenue recognition

#### Sale of goods

The Group sells a range of home and office telecommunication products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### 2.23 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.24 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### (a) Foreign exchange risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars (“US\$”) and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than EUR or HK\$, which are the functional currencies of the major operating companies within the Group. The Group manages its foreign currency exposure by entering forward derivatives contract.

As HK\$ is pegged to US\$, management believed that the exchange rate risk for translations between HK\$ and US\$ does not have a material impact to the Group.

At 31 December 2018, if US\$ had strengthened/weakened against EUR by 5% with all other variables held constant, the post-tax loss would have been EUR93,309 higher/lower (2017: the post-tax loss would have been EUR118,380 higher/lower), mainly as a result of foreign exchange losses/gains on revaluation of US\$ denominated cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, trade payables, accruals, provision and other payables, loans from related parties and borrowings.

##### (b) Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to fair value interest rate risk. The Group’s policy is to maintain all of its borrowings in variable rate instruments.

As at 31 December 2018 and 2017, the Group’s bank borrowings at variable rates were denominated in EUR and US\$. The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements and regular reporting is provided to the management for the Group’s debt and interest rates exposure. The Group considered interest rate risk on bank borrowings is insignificant.

##### (c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposit and other receivables. The carrying amounts of these balances represent the Group’s maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

In respect of trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and collectively or individually assessing them for likelihood of recovery.

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

**3 FINANCIAL RISK MANAGEMENT** *(Continued)***3.1 Financial risk factors** *(Continued)***(c) Credit risk** *(Continued)*

Given the track record of regular repayment of trade receivables and also the presence of credit insurance policy in case of default payment by trade receivables, the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate of trade receivables is assessed to be insignificant.

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of EUR114,857 was made as at 31 December 2018.

*Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that impairment has been incurred but not yet been identified in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

The closing allowance for all trade receivables reconcile to the opening loss allowance are as follows:

	EUR
Loss allowance as at 1 January 2017 under HKAS 39	21,025
Increase in loss allowance	76,524
Loss allowance as at 31 December 2017 under HKAS 39 and 1 January 2018 under HKFRS 9	97,549
Increase in loss allowance	17,308
Loss allowance as at 31 December 2018 under HKFRS 9	114,857

Note: Included in the trade receivable is an amount of EUR606,385 which is aged for more than 1.8 years and a specific loss allowance was provided on 10% of the overdue balance. The Group filed a credit insurance claim in respect of 90% of the overdue balance but the claim case is put on hold due to a dispute. The Group has commenced legal proceeding, and the directors are of the opinion that no additional loss allowance is necessary based on the latest available information.

In respect of other receivables excluding prepayments, the credit quality is assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of other receivables excluding prepayments is assessed to be close to zero and no loss allowance was made as of 31 December 2018.

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.1 Financial risk factors** (Continued)**(d) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet their liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at each of respective reporting dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end dates for the year ended 31 December 2018 and 2017. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Balance due after 12 months are the contractual discounted cash flows.

	On demand EUR	Less than 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
As at 31 December 2018					
Trade payables	–	3,601,944	–	–	3,601,944
Borrowings	3,457,765	5,102,022	812,108	–	9,371,895
Accruals	–	3,392,270	–	–	3,392,270
Other payables	–	860,911	1,205,768	1,446,336	3,513,015
	<b>3,457,765</b>	<b>12,957,147</b>	<b>2,017,876</b>	<b>1,446,336</b>	<b>19,879,124</b>
As at 31 December 2017					
Trade payables	–	4,403,512	–	–	4,403,512
Loans from related parties	–	998,247	–	–	998,247
Borrowings	1,177,683	6,019,783	1,113,995	–	8,311,461
Accruals	–	4,125,129	–	–	4,125,129
Other payables	–	572,470	1,152,160	1,768,643	3,493,273
	<b>1,177,683</b>	<b>16,119,141</b>	<b>2,266,155</b>	<b>1,768,643</b>	<b>21,331,622</b>

The table that follows summarises the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year EUR	Between 1 and 2 years EUR	Between 2 and 5 years EUR	More than 5 years EUR	Total EUR
<b>At 31 December 2018</b>					
Borrowings	3,069,791	151,271	192,825	–	3,413,887
<b>At 31 December 2017</b>					
Borrowings	728,547	150,599	330,230	–	1,209,376

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of shareholders' equity and total borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Group monitors capital on the basis of the net gearing ratio and the Group will have sufficient financial resources and banking facilities to meet its commitments and working capital requirements. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in consolidated statement of financial position plus net debt.

The gearing ratio as at 31 December 2018 and 2017 are as follows:

	2018 EUR	2017 EUR
Total borrowings	9,208,217	8,161,293
Less: cash and cash equivalents	(3,324,261)	(4,813,033)
Net debt	5,883,956	3,348,260
Total equity	9,523,563	6,206,495
Total capital	15,407,519	9,554,755
Net gearing ratio	38%	35%

#### 3.3 Fair value estimation

The table below analyses the Group's financial assets/(liabilities) carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 2 EUR
<b>As at 31 December 2018</b>	
Derivative financial instruments	19,749
<b>As at 31 December 2017</b>	
Derivative financial instruments	(85,955)



### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Fair value estimation *(Continued)*

##### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices from banks or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting year, with the resulting value discounted back to present value.

There were no transfers between level 1, 2 and 3 for the year ended 31 December 2018 and 2017.

### 4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### (a) Impairment of receivables

The Group makes provision for impairment in receivables based on an assessment of the recoverability of receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible. The identification of impairment in receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and impairment is recognised in the period in which such estimate has been changed.

#### (b) Current and deferred taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of the Group's business for which the ultimate tax treatment is subject to judgement. If the Group considers it probable that these judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

Deferred income tax assets relating to certain deductible temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed. The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

**4 CRITICAL ESTIMATES AND JUDGEMENTS** *(Continued)***(c) Provision for inventories**

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

**(d) Estimate of useful lives and impairment of intangible assets**

The Group has significant intangible assets. The Group is required to estimate the useful lives of intangible assets in order to ascertain the amount of amortisation charges for each reporting period. The Group also reviews internal and external sources of information to identify indications that intangible assets may be impaired.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Determining intangible assets impairment requires an estimation of the value in use of the cash generating units. The value-in-use calculation requires the Group 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. Where the actual future cash flows are less than expected, an impairment loss may arise.

**5 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.

**(a) Revenue by product type**

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

	2018 EUR	2017 EUR
Revenue		
Home telephone	<b>30,188,666</b>	30,185,041
Office telephone	<b>3,142,924</b>	4,426,102
Others	<b>2,508,275</b>	1,230,550
	<b>35,839,865</b>	35,841,693

**5 REVENUE AND SEGMENT INFORMATION** *(Continued)***(b) Revenue by location**

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

	<b>2018 EUR</b>	2017 EUR
France	<b>19,363,605</b>	19,653,358
Latin America (Note i)	<b>6,354,505</b>	5,439,695
Other European countries (Note ii)	<b>6,165,482</b>	6,289,202
Others (Note iii)	<b>3,956,273</b>	4,459,438
	<b>35,839,865</b>	35,841,693

Notes:

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

**(c) Revenue from customer contributing over 10% of the total revenue of our Group is as follows:**

	<b>2018 EUR</b>	2017 EUR
Customer A	<b>N/A<sup>1</sup></b>	4,454,446

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

**6 OTHER INCOME**

	<b>2018 EUR</b>	2017 EUR
Compensation from distributors for missing sale target	<b>24,149</b>	56,587
Others	<b>31,343</b>	167,579
	<b>55,492</b>	224,166

**7 OTHER GAIN/(LOSS)**

	<b>2018 EUR</b>	2017 EUR
Net foreign exchange gain	<b>177,214</b>	260,223
Net gain/(loss) on derivative financial instruments	<b>105,704</b>	(455,950)
	<b>282,918</b>	(195,727)

**8 EXPENSES BY NATURE**

The following expenses are included in cost of sales, selling and distribution expenses and administrative expenses:

	<b>2018 EUR</b>	2017 EUR
Operating lease expenses	<b>326,531</b>	302,053
Employee benefit expenses other than directors' emoluments (Note 9)	<b>3,449,228</b>	3,078,626
Legal and professional fees	<b>564,655</b>	276,086
Auditors' remuneration	<b>144,710</b>	141,931
Advertising and marketing expense	<b>866,287</b>	679,598
Directors' emoluments (Note 10)	<b>847,207</b>	875,365
Cost of inventories	<b>24,903,627</b>	25,205,807
Freight and transportation	<b>932,453</b>	800,898
Depreciation of property, plant and equipment (Note 15)	<b>190,565</b>	67,711
Net impairment losses on financial assets (Note 20)	<b>17,308</b>	76,524
Provision/(reversal) for impairment of inventories (Note 19)	<b>27,195</b>	(137,919)
Provision for product warranty (Note 25)	<b>140,319</b>	189,526
Commission fee	<b>659,062</b>	515,974
Storage fee	<b>560,501</b>	499,354
Amortisation of intangible assets (Note 16)	<b>282,521</b>	272,921
Legal and professional fees for listing preparation	<b>189,789</b>	1,537,703
Others	<b>2,534,530</b>	1,940,998
Total cost of sales, selling and distribution expenses and administrative expense	<b>36,636,488</b>	36,323,156

**9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS**

	2018 EUR	2017 EUR
Salaries, bonus and allowances	<b>2,694,230</b>	2,307,160
Retirement benefit expenses		
– Defined contribution pension costs	<b>688,839</b>	648,695
– Defined benefit pension costs (Note 29)	<b>17,828</b>	17,811
Other employee benefits	<b>48,331</b>	104,960
	<b>3,449,228</b>	3,078,626

Note: The Group participates in certain pension schemes for its employees in Hong Kong and France.

Under the Mandatory Provident Fund ("MPF"), each of the Group and its employees in Hong Kong make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's mandatory contributions are subject to a cap of HK\$1,500 per month. The Group has no further obligations for post-retirement benefits beyond the contributions.

Under the defined contribution scheme in France, each employee is entitled to receive a basic pension plus a complementary pension from defined contribution schemes, namely Association Pour le Regime de Retraite Complementaire des Salaries ("ARRCO") and Association Generale des Institutions de Retraite des Cadres ("AGIRC") (solely for management). Under ARRCO, the Group makes monthly contributions of 6.6% and its employees make monthly contributions of 4.3% of the employee's relevant income to the scheme. Under AGIRC, the Group makes monthly contributions of 7.7% and its employees make monthly contributions of 4.8% of the employee's relevant income to the scheme. For the years ended 31 December 2018 and 2017, the monthly contribution in respect of the above is subject to a cap of EUR3,311 and EUR3,269 respectively per employee.

Under the French Social Security Code, retirement allowances for life must by law be paid by the employer when employees retire (Note 29).

**(a) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2018 and 2017 include 3 directors, whose emoluments are reflected in the analysis presented in Note 10. The emoluments payable to the remaining 2 individuals during the years ended 31 December 2018 and 2017 are as follows:

	2018 EUR	2017 EUR
Salaries and other allowances	<b>200,821</b>	212,048
Bonus	<b>55,101</b>	14,195
Pension cost		
– Defined contribution scheme	<b>71,848</b>	65,225
– Defined benefit scheme	<b>2,112</b>	1,329
	<b>329,882</b>	292,797

**9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS***(Continued)***(a) Five highest paid individuals** *(Continued)*

Number of individuals whose emoluments fell within:

	2018	2017
Emolument bands (in HK\$)		
NIL to HK\$1,000,000	–	–
HK\$1,000,000 to HK\$2,000,000	2	2

During the years ended 31 December 2018 and 2017, no director or any members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office.

**10 BENEFITS AND INTERESTS OF DIRECTORS****(a) Directors' and chief executive's emoluments**

The remuneration of each director and the chief executive is set out below:

**For the year ended 31 December 2018**

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined	Defined	Total EUR
					contribution pension costs EUR	benefit pension costs EUR	
<b>Executive directors</b>							
Didier Paul Henri Goujard (chief executive officer)	–	227,027	92,526	–	–	–	319,553
Ho Dora	–	144,476	53,426	34,457	15,892	–	248,251
Long Shing	–	42,865	13,356	4,418	2,539	–	63,178
Jean Alexis René Robert Duc	–	101,234	–	11,564	63,205	1,303	177,306
<b>Non-executive directors</b>							
Long Hak Kan (Chairman)	–	–	–	–	–	–	–
Long Fung	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Yiu Chun Kit	12,973	–	–	–	–	–	12,973
Lam Lai Ting Maria Goretti	12,973	–	–	–	–	–	12,973
Chan Cheuk Man Vivian	12,973	–	–	–	–	–	12,973
	38,919	515,602	159,308	50,439	81,636	1,303	847,207

**10 BENEFITS AND INTERESTS OF DIRECTORS** *(Continued)***(a) Directors' and chief executive's emoluments** *(Continued)*

For the year ended 31 December 2017

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary Bonuses EUR	Defined contribution pension cost EUR	Defined benefit pension costs EUR	Total EUR
<b>Executive directors</b>							
Didier Paul Henri Goujard (chief executive officer)	-	238,365	85,077	20,000	-	-	343,442
Ho Dora	-	151,691	1,465	78,701	16,686	-	248,543
Long Shing	-	45,006	366	63,000	2,250	-	110,622
Jean Alexis René Robert Duc	-	96,156	-	28,000	46,769	735	171,660
<b>Non-executive directors</b>							
Long Hak Kan (Chairman) (Note f)	-	-	-	-	-	-	-
Long Fung (Note g)	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Yiu Chun Kit (Note h)	366	-	-	-	-	-	366
Lam Lai Ting Maria Goretti (Note h)	366	-	-	-	-	-	366
Chan Cheuk Man Vivian (Note h)	366	-	-	-	-	-	366
	1,098	531,218	86,908	189,701	65,705	735	875,365

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as management to the Group during the year ended 31 December 2017.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

**(b) Directors' retirement benefits and termination benefits**

Save as disclosed in Note 10(a), the directors did not receive any other retirement benefits or termination benefits during the years ended 31 December 2018 and 2017.

**10 BENEFITS AND INTERESTS OF DIRECTORS** *(Continued)***(c) Consideration provided to third parties for making available directors' services**

During the years ended 31 December 2018 and 2017, no consideration was provided to or receivable by third parties for making available directors' services.

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

As at 31 December 2018 and 2017, there were no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

**(e) Director's material interests in transactions, arrangements or contracts**

Save as disclosed in Note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2018 and 2017.

**(f) Long Hak Kan was appointed on 30 August 2017.****(g) Long Fung was appointed on 3 August 2017.****(h) Yiu Chun Kit, Lam Lai Ting Maria Goretti and Chan Cheuk Man vivian were appointed on 21 December 2017.****11 FINANCE COSTS, NET**

	2018 EUR	2017 EUR
Finance income		
Bank interest income	(5,241)	(1,472)
Finance costs		
Interest expense on factoring	83,415	138,670
Interest expense on bank borrowings	121,150	66,312
Interest expense on retirement benefit obligations (Note 29)	4,811	4,704
Interest expense on loans from related parties (Note 32)	662	48,330
Interest expense on license fee payables	143,249	154,663
	<b>353,287</b>	412,679
Finance costs, net	<b>348,046</b>	411,207

**12 INCOME TAX (CREDIT)/EXPENSES**

Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profit up to HK\$2 million, equivalent to approximately EUR216,000, and 16.5% thereafter, for one of its subsidiaries operating in Hong Kong for the year ended 31 December 2018 (2017: 16.5%).

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 year ended 31 December 2018 (2017: 25%).

Corporate income tax on profits from a subsidiary operating in France has been calculated at 28% in accordance with the relevant France tax laws and regulations for the year ended 31 December 2018 (2017: 33.33%).



**12 INCOME TAX (CREDIT)/EXPENSES** (Continued)**(a) Income tax (credit)/expenses**

	<b>2018 EUR</b>	2017 EUR
<b>Current income tax:</b>		
Current tax on profits for the year	<b>2,079</b>	112,521
Under provision in prior year	<b>1,845</b>	14,870
	<b>3,924</b>	127,391
Deferred income tax	<b>(71,264)</b>	(24,242)
Under provision in prior year (Note)	–	218,160
Deferred income tax expense (Note 27)	<b>(71,264)</b>	193,918
	<b>(67,340)</b>	321,309

Note: Tax losses of a subsidiary of the Group amounted to EUR661,092 recognised in prior year were disallowed in 2017.

- (b) The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	<b>2018 EUR</b>	2017 EUR
Loss before income tax	<b>(806,259)</b>	(864,231)
Calculated at a taxation rate of 16.5% (2017:16.5%)	<b>(133,033)</b>	(142,598)
Expenses not deductible for tax purpose	<b>134,224</b>	282,809
Income not subject to tax	<b>(39,999)</b>	(28,707)
Effect of different tax rates in other jurisdictions	<b>(19,566)</b>	(48,225)
One-off tax relief	<b>(2,162)</b>	–
Remeasurement of deferred tax – change in tax rate in France (Note i)	–	25,000
Effect of change in tax rate in Hong Kong (Note ii)	<b>(8,649)</b>	–
Under provision in prior years	<b>1,845</b>	233,030
Income tax (credit)/expense	<b>(67,340)</b>	321,309

Note i: For the year ended 31 December 2018, the applicable statutory Corporate Income Tax rate in France is 28% (2017: 33.33%). According to the France Tax Department's promulgation on 27 September 2017, the applicable statutory Corporate Income Tax rate is stipulated at a rate of 28%, effective from 1 January 2018, hence deferred tax assets arising from subsidiary in France were re-measured at the applicable statutory Corporate Income Tax rate at a rate of 28% for the year ended 31 December 2017.

Note ii: For the year ended 31 December 2018, the applicable statutory Corporate Income Tax rate in Hong Kong is 8.25% on assessable profits up to HK\$2 million and 16.5% thereafter, for any one of the Group's subsidiaries operating in Hong Kong that was elected (2017: 16.5% for all levels of assessable profits).

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

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 21 December 2017 and the Capitalisation Issue (as defined in the Prospectus) of ordinary shares which took place on 19 January 2018. On the same date, pursuant to the Share Offer (as defined in the Prospectus), the Company issued a total of 100,000,000 shares with par value of HK\$0.01 each.

	Year ended 31 December	
	2018	2017
Loss attributable to equity holders of the Company (Euro)	<b>(735,233)</b>	(1,168,505)
Weighted average number of shares in issue (thousands)	<b>395,068</b>	300,000
Basic loss per share (expressed in Euro cents)	<b>(0.19)</b>	(0.39)

**(b) Diluted loss per share**

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares during the respective years.

**14 SUBSIDIARIES**

The following is a list of subsidiaries as at 31 December 2018 and 2017:

Name of entity	Place of incorporation, kind of legal entity and date of incorporation	Principal activities	Issued shares and paid up capital	Ownerships interest held by the Group		Ownership interest held by non-controlling interests	
				2018 %	2017 %	2018 %	2017 %
<b>Directly held</b>							
Atlinks Industries Limited	British Virgin Islands, limited liability company, 13 July 2017	Investment holding	EUR1	100	100	-	-
<b>Indirectly held</b>							
Atlinks Holdings Limited	Hong Kong, limited liability company, 13 January 2012	Investment holding	EUR3,069,564	100	100	-	-
Atlinks Enterprise Limited	Hong Kong, limited liability company, 22 September 2016	Trading and development of telecommunication equipment	HK\$1,500,000	51	51	49	49
Atlinks Asia Limited	Hong Kong, limited liability company, 3 December 2009	Trading and development of telecommunication equipment	HK\$1	100	100	-	-
Atlinks Europe SAS	France, limited liability company, 30 October 2008	Trading and development of telecommunication equipment	EUR500,000	100	100	-	-
Atlinks Technology (Shenzhen) Limited	China, limited liability company, 6 March 2014	Trading and development of telecommunication equipment	HK\$700,000	100	100	-	-
Atlinks Mexico S.A. de C.V.	Mexico, limited liability company, 14 December 2009	Trading and development of electrical equipment including radio communication equipment	MXN50,000	100	100	-	-
Swissvoice International SA	Switzerland, limited liability company, 14 November 2016	Management of trademarks and trading of telecommunication equipment	CHF380,000	100	100	-	-

## 15 PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment EUR	Leasehold improvements EUR	Tooling EUR	Testing equipment EUR	Construction in progress EUR	Total EUR
<b>Year ended 31 December 2018</b>						
Opening net book amount	42,519	2,454	17,553	30,000	85,123	177,649
Transfer	-	-	85,123	-	(85,123)	-
Additions	124,296	-	379,033	9,570	-	512,899
Currency translation difference	706	-	(1,484)	(48)	-	(826)
Depreciation charge	(38,128)	(817)	(140,392)	(11,228)	-	(190,565)
<b>Closing net book amount</b>	<b>129,393</b>	<b>1,637</b>	<b>339,833</b>	<b>28,294</b>	<b>-</b>	<b>499,157</b>
<b>At 31 December 2018</b>						
Cost	455,980	206,588	2,596,312	456,104	-	3,714,984
Accumulated depreciation	(326,587)	(204,951)	(2,256,479)	(427,810)	-	(3,215,827)
<b>Net book amount</b>	<b>129,393</b>	<b>1,637</b>	<b>339,833</b>	<b>28,294</b>	<b>-</b>	<b>499,157</b>
<b>At 1 January 2017</b>						
Cost	325,949	217,693	2,319,021	455,517	96,375	3,414,555
Accumulated depreciation	(278,558)	(214,421)	(2,286,586)	(415,517)	-	(3,195,082)
<b>Net book value</b>	<b>47,391</b>	<b>3,272</b>	<b>32,435</b>	<b>40,000</b>	<b>96,375</b>	<b>219,473</b>
<b>Year ended 31 December 2017</b>						
Opening net book amount	47,391	3,272	32,435	40,000	96,375	219,473
Additions	43,027	-	-	-	-	43,027
Currency translation difference	(2,656)	-	(3,232)	-	(11,252)	(17,140)
Depreciation charge	(45,243)	(818)	(11,650)	(10,000)	-	(67,711)
<b>Closing net book amount</b>	<b>42,519</b>	<b>2,454</b>	<b>17,553</b>	<b>30,000</b>	<b>85,123</b>	<b>177,649</b>
<b>At 31 December 2017</b>						
Cost	356,200	201,885	2,048,260	442,730	85,123	3,134,198
Accumulated depreciation	(313,681)	(199,431)	(2,030,707)	(412,730)	-	(2,956,549)
<b>Net book value</b>	<b>42,519</b>	<b>2,454</b>	<b>17,553</b>	<b>30,000</b>	<b>85,123</b>	<b>177,649</b>

For the year ended 31 December 2018 and 2017, depreciation expense amounted to EUR190,565 and EUR67,711 respectively, of which EUR140,392 and EUR11,650 has been charged in "cost of sales", and EUR50,173 and EUR56,061 has been charged in "administrative expenses".

**16 INTANGIBLE ASSETS**

	Licensing right EUR	Trademarks EUR	Design patent EUR	Domain name and website EUR	Total EUR
<b>Year ended 31 December 2018</b>					
Opening net book amount	2,700,295	1,097,436	8,154	16,309	3,822,194
Addition	–	300,000	–	–	300,000
Amortisation	(270,030)	(9,701)	(930)	(1,860)	(282,521)
Currency translation differences	–	54,605	272	544	55,421
<b>Closing net book amount</b>	<b>2,430,265</b>	<b>1,442,340</b>	<b>7,496</b>	<b>14,993</b>	<b>3,895,094</b>
<b>At 31 December 2018</b>					
Cost	4,860,530	1,452,212	9,469	18,938	6,341,149
Accumulated amortisation	(2,430,265)	(9,872)	(1,973)	(3,945)	(2,446,055)
<b>Net book amount</b>	<b>2,430,265</b>	<b>1,442,340</b>	<b>7,496</b>	<b>14,993</b>	<b>3,895,094</b>
<b>At 1 January 2017</b>					
Cost	4,860,530	1,200,000	10,000	20,000	6,090,530
Accumulated amortisation	(1,890,206)	–	(83)	(168)	(1,890,457)
<b>Net book amount</b>	<b>2,970,324</b>	<b>1,200,000</b>	<b>9,917</b>	<b>19,832</b>	<b>4,200,073</b>
<b>Year ended 31 December 2017</b>					
Opening net book amount	2,970,324	1,200,000	9,917	19,832	4,200,073
Amortisation	(270,029)	–	(964)	(1,928)	(272,921)
Currency translation differences	–	(102,564)	(799)	(1,595)	(104,958)
<b>Closing net book amount</b>	<b>2,700,295</b>	<b>1,097,436</b>	<b>8,154</b>	<b>16,309</b>	<b>3,822,194</b>
<b>At 31 December 2017</b>					
Cost	4,860,530	1,097,436	9,145	18,291	5,985,402
Accumulated amortisation	(2,160,235)	–	(991)	(1,982)	(2,163,208)
<b>Net book amount</b>	<b>2,700,295</b>	<b>1,097,436</b>	<b>8,154</b>	<b>16,309</b>	<b>3,822,194</b>

For the years ended 31 December 2018 and 2017, amortisation charge amounted to EUR282,521 and EUR272,921 respectively, of which EUR279,730 and EUR270,029 has been charged in “cost of sales”, and EUR2,791 and EUR2,892 has been charged in “administrative expenses”.

**16 INTANGIBLE ASSETS** (Continued)

Impairment review on the trademark of the Group has been conducted by the management as at 31 December 2018 and 2017 according to the HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the trademark is determined based on value-in-use calculations which uses cash flow projection based on financial budgets of the Company covering a ten-year period, and a pre-tax discount rate of 19.1% (2017: 15%) per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a ten-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 20.7% (2017: 19.5%) for ten-year period budgets and a terminal growth rate of 3% (2017: 3%) taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed the its recoverable amount.

**17 DERIVATIVE FINANCIAL INSTRUMENTS**

	2018 EUR	2017 EUR
<b>Assets/(liabilities)</b>		
Foreign exchange forward contracts	19,749	(85,955)

The derivative financial instruments mainly consist of the following contracts:

	2018	2017
Foreign exchange forward contracts in respect of EUR against US\$		
– Notional principal amounts	<b>US\$3,650,000</b>	US\$6,950,000
– Maturities as at year end	<b>Range from 1 month to 5 months</b>	Range from 1 month to 7 months

Derivative financial instruments were carried at fair value.

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>2018 EUR</b>	2017 EUR
<b>Financial assets</b>		
Financial assets at fair value through profit or loss – Derivative financial instruments	<b>19,749</b>	–
Financial assets at amortised cost		
– Loans and receivables		
– Trade receivables	<b>9,723,000</b>	10,195,955
– Deposits and other receivables	<b>947,455</b>	669,622
– Pledged bank deposits	<b>2,038,442</b>	2,062,879
– Cash and cash equivalents	<b>3,324,261</b>	4,813,033
	<b>16,033,158</b>	17,741,489
	<b>16,052,907</b>	17,741,489
<b>Financial liabilities</b>		
Financial assets at fair value through profit or loss – Derivative financial instruments	–	(85,955)
Financial liabilities at amortised cost		
– Trade payables	<b>(3,601,944)</b>	(4,403,512)
– Accruals of sales rebate	<b>(950,744)</b>	(1,066,065)
– Other payables	<b>(3,513,015)</b>	(3,493,273)
– Loans from related parties	–	(998,247)
– Bank borrowings	<b>(9,208,217)</b>	(8,161,293)
	<b>(17,273,920)</b>	(18,122,390)
	<b>(17,273,920)</b>	(18,208,345)

**19 INVENTORIES**

	<b>2018 EUR</b>	2017 EUR
Finished goods	<b>8,523,201</b>	5,216,318
Provision for impairment	<b>(288,972)</b>	(259,496)
	<b>8,234,229</b>	4,956,822

**19 INVENTORIES (Continued)**

The cost of inventories included in cost of sales during the years ended 31 December 2018 and 2017 amounted to approximately EUR24,903,627 and EUR25,205,807 respectively. Movements on the provision for impairment of inventories are as follows:

	EUR
At 1 January 2017	414,172
Reversal of provision for impairment of inventories	(137,919)
Exchange difference	(16,757)
At 31 December 2017 and 1 January 2018	259,496
Provision for impairment of inventories	27,195
Exchange difference	2,281
At 31 December 2018	288,972

**20 TRADE RECEIVABLES**

	2018 EUR	2017 EUR
Trade receivables	<b>9,837,857</b>	10,293,504
Loss allowance	<b>(114,857)</b>	(97,549)
	<b>9,723,000</b>	10,195,955

The credit terms granted by the Group generally range between 30 to 90 days.

As at 31 December 2018 and 2017, the ageing analysis of trade receivables, net of loss allowance made, based on invoice date is as follows:

	2018 EUR	2017 EUR
1 to 30 days	<b>3,226,332</b>	3,109,148
31 to 60 days	<b>3,991,150</b>	3,492,437
61 to 90 days	<b>920,314</b>	1,007,121
More than 90 days	<b>1,585,204</b>	2,587,249
	<b>9,723,000</b>	10,195,955

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing. Note 3.1(c) provides further information about expected credit loss provision.

Impairment losses are recognised in consolidated income statement within "administrative expenses". Note 2.9(d) provides information about how impairment losses are calculated.



**20 TRADE RECEIVABLES** *(Continued)*

The carrying amounts of trade receivables approximated their fair values as at 31 December 2018 and 2017, and were denominated in the following currencies:

	<b>2018 EUR</b>	2017 EUR
US\$	<b>2,877,044</b>	4,535,266
EUR	<b>6,422,234</b>	5,547,439
RMB	<b>423,722</b>	113,250
Total	<b>9,723,000</b>	10,195,955

As at 31 December 2018 and 2017, the Group had factored trade receivables of EUR4,729,113 and EUR5,711,916 respectively to banks for cash under certain receivables purchase agreements. As the Company still retained the risks associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKFRS 9 have not been fulfilled. Accordingly, the proceeds from the factoring of trade receivables have been accounted for as the Group's liabilities and included in borrowings as "Factoring loans" (Note 26).

**21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2018 EUR</b>	2017 EUR
Prepayments		
– Professional fee for listing preparation	–	488,186
– Others	<b>325,232</b>	403,207
Deposits	<b>128,030</b>	109,203
Other receivables		
– VAT receivables	<b>26,490</b>	1,118
– Others (Note)	<b>819,425</b>	560,419
	<b>1,299,177</b>	1,562,133
Less: non-current deposit	<b>(47,710)</b>	–
	<b>1,251,467</b>	1,562,133

Note: It mainly represents proceeds receivables from bank due to factoring of trade receivable.

The carrying amounts of deposits and other receivables approximated their fair values as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017, the Group did not hold any collateral as security.

**22 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS**

	<b>2018 EUR</b>	2017 EUR
Cash on hand	<b>1,287</b>	1,256
Cash at bank	<b>3,322,974</b>	4,811,777
Cash and cash equivalents	<b>3,324,261</b>	4,813,033
Pledged bank deposits – as collateral for bank facilities	<b>2,038,442</b>	2,062,879
	<b>5,362,703</b>	6,875,912
Maximum exposure to credit risk	<b>5,361,416</b>	6,874,656

The pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	<b>2018 EUR</b>	2017 EUR
HK\$	<b>1,948,148</b>	167,408
US\$	<b>1,973,488</b>	4,398,186
RMB	<b>233,711</b>	293,089
EUR	<b>1,206,159</b>	1,992,213
Others	<b>1,197</b>	25,016
	<b>5,362,703</b>	6,875,912

**23 SHARE CAPITAL AND RESERVES****(a) Share capital**

On 3 August 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same date, the Company allotted and issued one nil-paid share to an initial subscriber who is an independent third party, which was then transferred to Eiffel Global Limited (“Eiffel Global”), a company incorporated in the British Virgin Islands (“BVI”) at nil consideration.

On 21 December 2017, the authorised share capital was increased to HK\$40,000,000 divided into 4,000,000,000 shares with par value of HK\$0.01 each. On the same date, the said one nil-paid share was credited as fully paid and the Company further issued and allotted 9,999 shares to Eiffel Global, credited as fully paid, as part of the Reorganisation.

On 19 January 2018, pursuant to the Capitalisation Issue (as defined in the Prospectus), the Company issued a total number of additional 299,990,000 shares to Eiffel Global, credited as fully paid. On the same date, pursuant to the Share Offer (as defined in the Prospectus), the Company issued a total of 100,000,000 shares with par value of HK\$0.01 each.

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares HK\$</b>	<b>Equivalent nominal value of ordinary shares EUR</b>
Authorised:			
Ordinary share of HK\$0.01 each at 3 August 2017 (date of incorporation)	38,000,000	380,000	40,998
Increase in authorised share capital	3,962,000,000	39,620,000	4,274,581
At 31 December 2017 and 2018	4,000,000,000	40,000,000	4,315,579
Issued and fully paid:			
At 3 August 2017 (date of incorporation)	1	–	–
Issuance of shares arising from Reorganisation	9,999	100	11
At 31 December 2017 and 1 January 2018	10,000	100	11
Capitalisation issue	299,990,000	2,999,900	313,353
Issue of ordinary shares for Share Offer	100,000,000	1,000,000	104,455
At 31 December 2018	400,000,000	4,000,000	417,819

**23 SHARE CAPITAL AND RESERVES** (Continued)**(b) Reserves**

	<b>Merger reserve</b> EUR (Note)	<b>Share premium</b> EUR	<b>Other reserve</b> EUR	<b>Retained earnings</b> EUR	<b>Total</b> EUR
<b>Balance at 1 January 2017</b>	4,386,134	–	864,481	2,758,934	8,009,549
<b>Comprehensive income:</b>					
Loss for the year	–	–	–	(1,168,505)	(1,168,505)
<b>Other comprehensive income:</b>					
Currency translation difference	–	–	(678,983)	–	(678,983)
Remeasurement of defined benefit retirement plans, net of tax	–	–	(2,428)	–	(2,428)
Issuance of shares arising from Reorganisation	(11)	–	–	–	(11)
<b>Balance at 31 December 2017 and 1 January 2018</b>	<b>4,386,123</b>	<b>–</b>	<b>183,070</b>	<b>1,590,429</b>	<b>6,159,622</b>
<b>Comprehensive income:</b>					
Loss for the year	–	–	–	(735,233)	(735,233)
<b>Other comprehensive income:</b>					
Currency translation difference	–	–	78,205	–	78,205
Remeasurement of defined benefit retirement plans, net of tax	–	–	1,050	–	1,050
Proceeds of shares issued	–	4,734,254	–	–	4,734,254
Share issuance cost	–	(1,177,028)	–	–	(1,177,028)
<b>Balance at 31 December 2018</b>	<b>4,386,123</b>	<b>3,557,226</b>	<b>262,325</b>	<b>855,196</b>	<b>9,060,870</b>

Note:

Merger reserves of the Group represented the difference between the share capitals of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company in exchange thereof.

**24 TRADE PAYABLES**

	<b>2018 EUR</b>	2017 EUR
Trade payables	<b>3,601,944</b>	4,403,512

At 31 December 2018 and 2017, the ageing analysis of the trade payables based on invoice date were as follows:

	<b>2018 EUR</b>	2017 EUR
0-30 days	<b>3,493,822</b>	3,981,341
31-60 days	<b>11,140</b>	146,237
61-90 days	<b>–</b>	28,390
Over 90 days	<b>96,982</b>	247,544
	<b>3,601,944</b>	4,403,512

**24 TRADE PAYABLES** (Continued)

The carrying amounts of trade payables approximated their fair values and were denominated in the following currencies:

	<b>2018 EUR</b>	2017 EUR
US\$	<b>3,232,297</b>	4,262,806
RMB	<b>369,647</b>	140,706
	<b>3,601,944</b>	4,403,512

**25 ACCRUALS, PROVISION AND OTHER PAYABLES**

	<b>2018 EUR</b>	2017 EUR
Accruals for operating expenses		
– Professional fee for listing preparation	–	558,824
– Others	<b>2,441,526</b>	2,500,240
Accruals of sales rebate	<b>950,744</b>	1,066,065
License fee payable	<b>3,513,015</b>	3,493,273
Other payables	<b>187,920</b>	106,379
Provision	<b>149,635</b>	249,763
	<b>7,242,840</b>	7,974,544
Less: non-current payable	<b>(2,652,104)</b>	(2,920,802)
Current portion	<b>4,590,736</b>	5,053,742

Movements on the provision are as follows:

	EUR
<b>At 1 January 2017</b>	447,852
Provision for warranty	189,526
Utilisation of warranty	(366,728)
Currency translation difference	(20,887)
<b>At 31 December 2017 and 1 January 2018</b>	249,763
Provision for warranty	140,319
Utilisation of warranty	(242,013)
Currency translation difference	1,566
<b>At 31 December 2018</b>	149,635

The carrying amounts of accruals and other payables approximated their fair values as at 31 December 2018 and 2017.

**26 BORROWINGS**

	<b>2018 EUR</b>	2017 EUR
Secured		
Factoring loans	<b>4,729,113</b>	5,692,333
Bank borrowings	<b>4,479,104</b>	2,468,960
	<b>9,208,217</b>	8,161,293

As at 31 December 2018 and 2017, the Group had total banking facilities of EUR11,551,588 and EUR10,941,362 of which EUR2,343,371 and EUR2,780,069 borrowings were unutilised respectively.

The above secured borrowings and banking facilities are secured by the followings:

	<b>2018 EUR</b>	2017 EUR
Pledged bank deposits	<b>2,038,442</b>	2,062,879
Trade receivables	<b>4,729,113</b>	5,711,916
Corporate guarantee (provided by Atlinks Holdings Limited)	<b>4,824,561</b>	4,620,000
	<b>11,592,116</b>	12,394,795

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

The carrying amounts of the secured borrowings approximate their fair value, as the impact of discounting is not significant.

The carrying amounts of the borrowings were denominated in the following currencies:

	<b>2018 EUR</b>	2017 EUR
EUR	<b>5,826,728</b>	6,183,082
US\$	<b>3,381,489</b>	1,978,211
	<b>9,208,217</b>	8,161,293

The effective interest rates per annum of the Group's borrowings as at 31 December 2018 and 2017 were 2.3% and 1.8% respectively.

The borrowings were repayable as follows:

	<b>2018 EUR</b>	2017 EUR
Within 1 year or repayable on demand	<b>9,208,217</b>	8,161,293

**26 BORROWINGS** *(Continued)*

The borrowings were repayable, without taking into account the repayable on demand clauses, as follows:

	<b>2018 EUR</b>	2017 EUR
Within 1 year	<b>8,096,413</b>	6,634,415
Between 1 and 2 years	<b>452,698</b>	446,034
Between 2 and 5 years	<b>659,106</b>	1,080,844
	<b>9,208,217</b>	8,161,293

**27 DEFERRED INCOME TAX ASSETS/(LIABILITIES)**

	<b>2018 EUR</b>	2017 EUR
Deferred income tax assets:		
– to be recovered after more than 12 months	<b>922,325</b>	835,062
– to be recovered within 12 months	<b>24,709</b>	32,450
	<b>947,034</b>	867,512
Deferred income tax liabilities:		
– to be recovered after more than 12 months	<b>(2,853)</b>	(60)
– to be recovered within 12 months	<b>(5,530)</b>	–
	<b>(8,383)</b>	(60)
Deferred income tax assets, net	<b>938,651</b>	867,452

The net movement on the deferred income tax account is as follows:

	EUR
At 1 January 2017	1,065,586
Charged to the consolidated income statement (Note 12)	(193,918)
Credited to other comprehensive income	943
Currency translation difference	(5,159)
At 31 December 2017 and 1 January 2018	867,452
Charged to the consolidated income statement (Note 12)	71,264
Credited to other comprehensive income	(409)
Currency translation difference	344
At 31 December 2018	938,651

**27 DEFERRED INCOME TAX ASSETS/(LIABILITIES)** (Continued)

The movements in deferred income tax assets and liabilities during the years ended 31 December 2018 and 2017, after taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax depreciation EUR	Provision for product warranty EUR	Fair value change of derivative financial instruments EUR	Tax losses EUR	Provision for retirement benefit EUR	Unrealised currency difference on foreign currency EUR	Total EUR
As at 1 January 2017	12,764	37,268	(123,332)	1,009,415	111,651	17,820	1,065,586
Credited/(charged) to the consolidated income statement	(1,576)	(19,025)	147,400	(317,583)	6,304	(9,438)	(193,918)
Credited to other comprehensive income	-	-	-	-	943	-	943
Currency translation differences	(1,713)	(3,446)	-	-	-	-	(5,159)
As at 31 December 2017 and 1 January 2018	<b>9,475</b>	<b>14,797</b>	<b>24,068</b>	<b>691,832</b>	<b>118,898</b>	<b>8,382</b>	<b>867,452</b>
(Charged)/credited to the consolidated income statement	<b>(10,125)</b>	<b>(8,230)</b>	<b>(29,598)</b>	<b>104,424</b>	<b>(1,534)</b>	<b>16,327</b>	<b>71,264</b>
Charged to other comprehensive income	-	-	-	-	(409)	-	(409)
Currency translation differences	<b>86</b>	<b>258</b>	-	-	-	-	<b>344</b>
As at 31 December 2018	<b>(564)</b>	<b>6,825</b>	<b>(5,530)</b>	<b>796,256</b>	<b>116,955</b>	<b>24,709</b>	<b>938,651</b>

As at 31 December 2018 and 2017, the Group had no material unrecognised deferred tax assets.

**28 CASH GENERATED FROM OPERATIONS****(a) Cash used in operation**

	2018 EUR	2017 EUR
Loss before income tax	<b>(806,259)</b>	(864,231)
Adjustments for:		
Depreciation of property, plant and equipment	<b>190,565</b>	67,711
Impairment of trade receivables	<b>17,308</b>	76,524
Provision/(reversal) for inventories	<b>27,195</b>	(137,919)
Amortisation of intangible assets	<b>282,521</b>	272,921
(Gain)/loss on derivative financial instruments	<b>(105,704)</b>	455,950
Provision for product warranty	<b>140,319</b>	189,526
Finance costs, net	<b>348,046</b>	411,207
Operating profit before working capital changes	<b>93,991</b>	471,689
Changes in operating assets and liabilities		
(Increase)/decrease in inventories	<b>(3,268,871)</b>	2,089,820
Decrease in trade receivables	<b>560,524</b>	76,574
Decrease/(increase) in prepayments, deposits and other receivables	<b>954,155</b>	(98,508)
Decrease in trade payables	<b>(920,849)</b>	(1,910,404)
Decrease in accruals, provisions and other payables	<b>(335,189)</b>	(737,141)
Decrease in contract liabilities	<b>(68,702)</b>	(33,589)
Cash used in operations	<b>(2,984,941)</b>	(141,559)



**28 CASH GENERATED FROM OPERATIONS** *(Continued)***(b) Reconciliation of liabilities arising from financing activities**

	<b>Borrowings</b> EUR	<b>Pledged bank deposit</b> EUR	<b>Loans from related parties</b> EUR	<b>Dividend payable</b> EUR	<b>Total</b> EUR
As at 1 January 2017	7,681,538	(2,328,125)	989,374	–	6,342,787
Cash in flows	515,973	96,955	–	–	612,928
Non-cash change	–	–	8,873	–	8,873
Foreign exchange movement	(36,218)	168,291	–	–	132,073
As at 31 December 2017 and 1 January 2018	<b>8,161,293</b>	<b>(2,062,879)</b>	<b>998,247</b>	–	<b>7,096,661</b>
Cash in/(out) flows	<b>918,976</b>	<b>64,396</b>	<b>(998,247)</b>	–	<b>(14,875)</b>
Foreign exchange movement	<b>127,948</b>	<b>(39,959)</b>	–	–	<b>87,989</b>
As at 31 December 2018	<b>9,208,217</b>	<b>(2,038,442)</b>	–	–	<b>7,169,775</b>

**29 RETIREMENT BENEFITS OBLIGATIONS**

To abide by the French Social Security Code, retiring allowances are to be paid by the employer when employees retire. It provides benefits to employees in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on employees' length of service and their salaries in the final years leading up to retirement.

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

	<b>2018</b> EUR	2017 EUR
Present value of unfunded obligation	<b>353,900</b>	360,841
Liability in the consolidated statement of financial position	<b>353,900</b>	360,841

The amounts recognised in the consolidated income statement are as follows:

	<b>2018</b> EUR	2017 EUR
Current service cost	<b>17,828</b>	17,811
Total expenses, included in employee benefit expenses (Note 9)	<b>17,828</b>	17,811
Interest expense	<b>4,811</b>	4,704
Total expenses, included in finance cost, net (Note 11)	<b>4,811</b>	4,704

**29 RETIREMENT BENEFITS OBLIGATIONS** *(Continued)*

Movements in the retirement benefits obligations over the years is as follows:

	2018 EUR	2017 EUR
At the beginning of the year	360,841	334,955
Current service cost	17,828	17,811
Interest expense	4,811	4,704
Benefit payments	(28,121)	–
Remeasurement arising from experience adjustment and changes in actuarial assumptions	(1,459)	3,371
As at end of the year	353,900	360,841

The significant actuarial assumptions as follows:

	2018 EUR	2017 EUR
Discount rate	1.60%	1.30%
Inflation	2.00%	2.00%
Salary growth rate	2.50%	2.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in France. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 62.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation
<b>For the year ended 31 December 2018</b>	
– If discount rate increases by 0.25%	<b>Decrease by 2.70%</b>
– If discount rate decreases by 0.25%	<b>Increase by 2.80%</b>
<b>For the year ended 31 December 2017</b>	
– If discount rate increases by 0.25%	Decrease by 2.90%
– If discount rate decreases by 0.25%	Increase by 3.00%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**30 CONTINGENCIES**

As at 31 December 2018 and 2017, the Group did not have any significant contingent liabilities.

**31 COMMITMENTS****(a) Capital commitments**

As at 31 December 2018 and 2017, the Group had no commitment for capital expenditure.

**(b) Non-cancellable operating lease – as lessee**

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2018 EUR</b>	2017 EUR
Within one year	<b>225,041</b>	174,735
Later than one year but no later than five years	<b>577,814</b>	404,803
	<b>802,855</b>	579,538

**32 RELATED PARTY TRANSACTIONS**

For the purposes of this consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2018 and 2017.

<b>Name of related party</b>	<b>Relationship with the Group</b>
KooKum Services	Controlled by the direct family member of the Chief Executive Officer of the Group

**(a) Significant related party transactions**

Other than those transactions and balances disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties for the year ended 31 December 2018 and 2017:

	<b>2018 EUR</b>	2017 EUR
Consultation fee charged by a related party – KooKum Services	–	8,080
Interest expense on loans from shareholders:		
– Talent Ocean Holdings Limited	<b>514</b>	37,500
– Argento Investments Limited	<b>81</b>	5,915
– Jean-Alexis René Robert Duc	<b>43</b>	3,165
– Ho Dora	<b>24</b>	1,750
	<b>662</b>	48,330

**32 RELATED PARTY TRANSACTIONS** *(Continued)***(b) Key management personnel compensation**

Key management personnel are deemed to be the members of the Board of Directors of the Company who have responsibility for the planning, directing and controlling the activities of the Group.

Key management compensation are as follows:

	<b>2018</b> <b>EUR</b>	2017 EUR
Basic salaries, allowances and benefits	<b>713,829</b>	619,224
Discretionary bonuses	<b>50,439</b>	189,701
Defined contribution pension costs	<b>81,636</b>	65,705
Defined benefit pension costs	<b>1,303</b>	735
	<b>847,207</b>	875,365

**(c) Balances with related parties**

	<b>2018</b> <b>EUR</b>	2017 EUR
Loans from shareholders		
– Talent Ocean Holdings Limited (Note)	–	759,452
– Argento Investments Limited (Note)	–	119,791
– Jean-Alexis René Robert Duc (Note)	–	83,563
– Ho Dora (Note)	–	35,441
	–	998,247

Note: The balances were non-trade in nature, unsecured, interest bearing at 5% per annum and repayable on demand.

The carrying amount of loans from shareholders approximated their fair values and were denominated in EUR.

**33 ULTIMATE HOLDING COMPANY**

Management consider that Talent Ocean Holdings Limited as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Ms. Chu Lam Fong.

**34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY****Statement of financial position of the Company**

	Note	2018 EUR	2017 EUR
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investment in subsidiaries		4,290,627	4,290,627
<b>Current asset</b>			
Prepayments for professional fee for listing preparation		–	488,186
Cash and cash equivalents		1,850,189	–
<b>Total assets</b>		<b>6,140,816</b>	4,778,813
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		417,819	11
Reserves	(a)	4,582,647	2,752,913
<b>Total equity</b>		<b>5,000,466</b>	2,752,924
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payable		–	558,824
Amount due to subsidiaries		1,140,350	1,467,065
<b>Total liabilities</b>		<b>1,140,350</b>	2,025,889
<b>Total equity and liabilities</b>		<b>6,140,816</b>	4,778,813

Statement of financial position of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf.

**Didier Paul Henri Goujard**  
Executive Director

**Ho Dora**  
Executive Director

### 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

#### Statement of financial position of the Company *(Continued)*

Note (a)

Reserve movement of the Company

	Merger reserve EUR (Note)	Share premium EUR	Accumulated losses EUR	Total EUR
<b>Balance at 3 August 2017 (date of incorporation)</b>	–	–	–	–
<b>Total comprehensive loss</b>				
Loss for the year	–	–	(1,537,703)	(1,537,703)
<b>Transactions with owner</b>				
Surplus arising on issue of shares in exchange for shares in subsidiaries (Note)	4,290,627	–	–	4,290,627
Issuance of shares arising from Reorganisation	(11)	–	–	(11)
<b>Balance at 31 December 2017 and 1 January 2018</b>	<b>4,290,616</b>	<b>–</b>	<b>(1,537,703)</b>	<b>2,752,913</b>
<b>Total comprehensive loss</b>				
Loss for the year	–	–	(1,727,492)	(1,727,492)
<b>Transactions with owner</b>				
Proceeds from shares issued	–	4,734,254	–	4,734,254
Share issuance cost	–	(1,177,028)	–	(1,177,028)
<b>Balance at 31 December 2018</b>	<b>4,290,616</b>	<b>3,557,226</b>	<b>(3,265,195)</b>	<b>4,582,647</b>

Note:

Balance represented the difference between the net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

### 35 DIVIDEND

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

### 36 SUBSEQUENT EVENTS

As of the approval date on these financial statements, the Group had no significant events after reporting period which need to be disclosed.

# Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

	Year ended 31 December			
	2018 EUR	2017 EUR	2016 EUR	2015 EUR
Revenue	<b>35,839,865</b>	35,841,693	40,560,338	49,335,527
Gross profit	<b>10,219,514</b>	10,259,989	11,519,256	12,781,274
Operating (loss)/profit	<b>(458,213)</b>	(453,024)	2,175,334	2,021,339
Finance costs, net	<b>(348,046)</b>	(411,207)	(322,669)	(336,231)
Income tax credit/(expense)	<b>67,340</b>	(321,309)	(467,252)	(338,458)
(Loss)/profit for the year	<b>(738,919)</b>	(1,185,540)	1,385,413	1,346,650
(Loss)/profit for the year attributable to equity holders of the Company	<b>(735,233)</b>	(1,168,505)	1,403,042	1,346,650

	Year ended 31 December			
	2018 EUR	2017 EUR	2016 EUR	2015 EUR
Non-current assets	<b>5,364,286</b>	4,834,905	5,664,149	4,765,957
Current assets	<b>24,679,730</b>	23,623,272	27,538,363	26,898,966
Total assets	<b>30,044,016</b>	28,458,177	33,202,512	31,664,923
Non-current liabilities	<b>3,008,857</b>	3,281,703	3,516,774	3,734,961
Current liabilities	<b>17,511,596</b>	18,969,979	21,604,762	21,477,677
Total liabilities	<b>20,520,453</b>	22,251,682	25,121,536	25,212,638
Total equity	<b>9,523,563</b>	6,206,495	8,080,976	6,452,285