

ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8043

Annual Report 2020



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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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Corporate Information

DIRECTORS

Executive Directors:

Mr. Tong Chi Hoi
Mr. Jean-Alexis René Robert Duc
Ms. Ho Dora
Mr. Long Shing

Non-executive Directors:

Mr. Long Hak Kan
Mr. Didier Paul Henri Goujard

Independent Non-executive Directors:

Ms. Lam Lai Ting Maria Goretti
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

AUDIT COMMITTEE

Ms. Lam Lai Ting Maria Goretti (*Chairman*)
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

REMUNERATION COMMITTEE

Ms. Lee Kit Ying Catherine (*Chairman*)
Ms. Lam Lai Ting Maria Goretti
Ms. Chan Cheuk Man Vivian

NOMINATION COMMITTEE

Mr. Long Hak Kan (*Chairman*)
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

RISK MANAGEMENT COMMITTEE

Mr. Tong Chi Hoi (*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
Ms. Ho Dora

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPLIANCE ADVISER

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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 BANK

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building, Central, Hong Kong

STOCK CODE

8043

COMPANY'S WEBSITE

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 2020 (hereafter referred as the "**Financial Year**").

OVERVIEW

During the first half of this financial year, we hit a major road bump. The outbreak of COVID-19 caused many countries to lock down in order to contain this virus, and so our revenue was impacted. Yet we persevered. In the second half of this financial year many countries started to reopen, our business started to ramp up. However, we were met with another obstacle. We had a shortage in containers and components. As a result of these negative impacts, our full year revenue declined slightly. However, our gross margin has greatly improved and the operation expense has been reduced under the new organization structure. We have turned the company around and recorded profit this year.

The result that we have produced under such a difficult environment reconfirms the efficiency of our new organization structure and the new productization approach. This reassures us that we have laid a strong foundation for Atlinks's future.

Our strategy to focus in the elderly market, aiming at the visually and hearing impaired under Swissvoice and Amplicomms brand has started to pay off, and we have a good revenue growth in 2020. Our goal in geographic expansion is on track and we expect to see more revenue growth in 2021.

Furthermore, we have once again been awarded by the prestigious Ecovadis – the award of sustainability as the Best Performer Worldwide in the category of Advanced Manufacturing among industrial leaders, and in 2020 we advanced to the highest Platinum level. This type of recognition has continued to help us to earn trust among our customers.

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 and also would like to welcome 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

15 March 2021

Management Discussion and Analysis

BUSINESS ACTIVITIES

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

We derive our revenues principally from developing and selling home and business telecommunication products under the trademarks bearing the brand “Alcatel” (“**Licensed Marks**”) and elderly products under the Swissvoice and Amplicomms brand, we also supply products under customer brand names for the European, Latin American and Asian markets.

BUSINESS REVIEW

The Group’s revenue decreased from approximately EUR31.6 million for the year ended 31 December 2019 to approximately EUR29.8 million for the year ended 31 December 2020, representing a decrease of approximately 5.6%. The revenue decrease was mainly due to the decline in sales of the home telephone segment in Latin America.

The Group’s gross profit margin increased from approximately 26.1% for the year ended 31 December 2019 to approximately 30.2% for the year ended 31 December 2020.

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

	Year ended 31 December			
	2020		2019	
	EUR'000	% of total revenue	EUR'000	% of total revenue
Home telephone	20,446	68.5%	23,093	73.1%
Senior products	6,090	20.4%	4,823	15.3%
Office telephone	2,976	10.0%	3,264	10.3%
Others (<i>Note</i>)	318	1.1%	413	1.3%
Total	29,830	100.0%	31,593	100.0%

Note: Others include IP devices and other miscellaneous products.

Sales in the home telephone segment dropped by approximately EUR2.6 million or 11.5% for the year ended 31 December 2020 as compared to the corresponding period in 2019. The home telephone segment comprised approximately 68.5% of our total revenue for the year ended 31 December 2020, down from approximately 73.1% for the year ended 31 December 2019. Such decrease was mainly due to the impact of the lockdown imposed in some of the countries in Europe and in Latin America and temporary halt of business of our customers to contain the outbreak of the novel coronavirus disease (“**COVID-19**”) during the year ended 31 December 2020.

Sales of the senior products category grew by approximately EUR1.3 million or 26.3% to approximately EUR6.1 million, which represents approximately 20.4% of our total revenue. This was driven by the higher sales of Big Button Picture phones, and a new series of elderly mobile devices.

Sales of office telephones were stable at approximately EUR3.0 million for the year ended 31 December 2020 as compared to that of the previous year. This was mainly driven by the consistent demand for VoIP (Voice over Internet Protocol) phones and wireless conference systems in Europe.

Sales of the others product category was approximately EUR0.3 million, which represents approximately 1.1% of our total revenue for the year ended 31 December 2020.

Management Discussion and Analysis

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			
	2020		2019	
	EUR'000	% of total revenue	EUR'000	% of total revenue
France	16,748	56.1%	17,408	55.1%
Other European countries (<i>Note 2</i>)	6,880	23.1%	5,773	18.3%
APAC/Russia/MEA (<i>Note 3</i>)	4,096	13.7%	3,907	12.4%
Latin America (<i>Note 4</i>)	2,106	7.1%	4,505	14.2%
Total	29,830	100.0%	31,593	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. Other European countries include but are not limited to Germany, Greece, Italy, Portugal, Spain and Switzerland but excludes France.
3. APAC/Russia/MEA include but are not limited to Asia Pacific Region, Russia and Middle East area.
4. Latin America includes Argentina, Chile, Mexico, Peru and others.

Sales to France remains the dominant driver of revenue, accounting for approximately EUR16.7 million or approximately 56.1% of the total revenues of the Group.

Sales to other European countries increased to approximately EUR6.9 million, which represents approximately 23.1% of our total revenue for the year ended 31 December 2020 as compared to approximately 18.3% of total revenue for the year ended 31 December 2019.

Our sales to Asia Pacific Region, Russia and Middle East area for the year ended 31 December 2020 and 2019 has remained relatively stable at approximately EUR4.1 million and EUR3.9 million, respectively.

Sales to Latin America has dropped to approximately 7.1% of our total revenue for the year ended 31 December 2020 from approximately 14.2% of our total revenue for the year ended 31 December 2019. Such decline was caused by the COVID-19 pandemic as well as the depreciation of some of the local currencies of our customers.

OUTLOOK

The economic impact of the COVID-19 outbreak remains uncertain. Even though the Group's key markets are still in a different stage of lockdown, the customers demand remains strong. However, the continue shortages in many critical components and cargo containers has had a negative impact to our supply chain. This mix of challenges make it difficult to gauge on our Group revenue expectation.

To minimize the impact on the uncertainties, Atlinks will continue to reinforce cost control and cash flow.

Our goal is to gain market shares in the home telephone business through the introduction of new competitive products with enriched features to cover more price points on the shelf and to expand geographically. Sales of new senior products launched under Swissvoice and Amplicomms brands are strong, and we expect to see more products to be listed in retail in 2021. The growth momentum of senior products is expected to continue as more new products such as the mobile device with smart base will be launched in the first half of 2021.

We will continue to expand our product range further into the elderly market aiming at the visually and hearing impaired, providing ancillary services to our mobile devices, and further strengthening the Swissvoice and Amplicomms brands.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of cost of inventories and depreciation and amortization. The cost of sales decreased by approximately 10.8% from approximately EUR23.3 million for the year ended 31 December 2019 to approximately EUR20.8 million for the year ended 31 December 2020, which is in line with the decrease in revenue. The Group's gross profit margin increased from approximately 26.1% for the year ended 31 December 2019 to approximately 30.2% for the year ended 31 December 2020, which was mainly driven by the cost control measures implemented over materials and subcontracting charges and the appreciation in Euros against USD when comparing the year ended 31 December 2020 to the corresponding period in 2019.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 9.9% from approximately EUR3.3 million in 2019 to approximately EUR3.0 million in 2020. The reduction of approximately EUR0.3 million was mainly the result of a decrease in logistic and marketing expenses.

Administrative Expenses

Administrative expenses decreased from approximately EUR6.6 million for the year ended 31 December 2019 to approximately EUR5.1 million for the year ended 31 December 2020, which mainly resulted from the reduction of rental, and staff expenses including overseas travel, as well as reduction arising from the receipts of government subsidies during the year.

Profit/(Loss) attributable to the Equity Holders of the Company

The Group recorded a profit of approximately EUR0.5 million for the year ended 31 December 2020, compared to a loss of approximately EUR1.7 million for the year ended 31 December 2019.

Dividend

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

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 2020 nor material acquisitions and disposals of subsidiaries during the year ended 31 December 2020. There is no plan for material investment or capital assets as at 31 December 2020.

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 2020, the Group had outstanding foreign exchange forward contracts in respect of EUR against USD of notional principal amounts of approximately USD4.5 million (as at 31 December 2019: approximately USD3.5 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 2020, the Group had a total of 43 staff (2019: 45). Total staff costs (including Directors' emoluments) were approximately EUR3.5 million for the year ended 31 December 2020 (2019: approximately EUR3.9 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 2020, the Group's cash and cash equivalents amounted to approximately EUR5.3 million, representing an increase of approximately EUR2.8 million as compared to that of approximately EUR2.5 million as at 31 December 2019. Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 December 2020, we had various bank borrowings and overdrafts of approximately EUR6.4 million (as at 31 December 2019: approximately EUR9.4 million), including factoring loan for trade receivables, representing a decrease of approximately EUR3.0 million as compared to that as at 31 December 2019.

Net current assets has remained relatively stable at approximately EUR4.9 million for the year ended 31 December 2019 and approximately EUR4.9 million for the year ended 31 December 2020 respectively.

The Group requires cash primarily for working capital. As of 31 December 2020, the Group had approximately EUR5.3 million in cash and bank balances (as at 31 December 2019: approximately EUR2.5 million), representing an increase of approximately EUR2.8 million as compared to that as at 31 December 2019.

Net Gearing Ratio

As at 31 December 2020, the net gearing ratio of the Group was approximately 27% (as at 31 December 2019: approximately 47%). 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 decrease of the net gearing ratio was mainly attributable to a decrease for bank borrowing and an increase the shareholders loan to support the Group's working capital.

Contingent Liabilities

As at 31 December 2020, the Company had no significant contingent liabilities (as at 31 December 2019: Nil).

Capital Structure

There has been no change in the Company's capital structure during the year. 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 EUR4,991,715 (2019: EUR5,151,472);
- (ii) pledged bank deposits with an aggregate amount of approximately EUR1,237,657 (2019: EUR2,332,735);
- (iii) a corporate guarantee from the Group with an aggregate amount of approximately EUR4,520,148 (2019: EUR4,950,000).

Capital Commitments

As at 31 December 2020, the Company had no capital commitment (as at 31 December 2019: 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).

On 31 December 2019, the Board resolved to change the use of the net proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds as at 31 December 2020 and the remaining balance after the revised allocation of the net proceeds are set out as follows:

Uses of the Net Proceeds	Original allocation HK\$ Million	Revised allocation HK\$ Million	Utilised Net Proceeds up to 31 December 2020 HK\$ Million	Remaining balance of the Net Proceeds as at 31 December 2020 HK\$ Million
Developing the office telephone products	2.9	1.5	1.5	–
Developing the elderly telecommunications products	5.3	8.3	6.5	1.8
Strengthening and enhancing our sales channels	3.7	5.1	4.9	0.2
Expanding the staff team	5.8	2.9	2.9	–
Developing the other products including IP cameras and smart home products	1.3	–	–	–
Expanding the geographical coverage	3.0	3.0	3.0	–
General working capital	1.1	2.3	2.3	–
	23.1	23.1	21.1	2.0

The details of the re-allocation of the use of proceeds was set out in the announcement of the Company dated 31 December 2019 (the “**Announcement**”). As at 31 December 2020, the actual use of net proceeds was less than estimated but had been applied in the same manner as specified in the Announcement. The net proceeds of approximately HK\$2.0 million not yet utilised as at 31 December 2020 is expected to be fully utilised by 31 December 2021. The Group will continue to apply the net proceeds in accordance with the allocation set out in the Announcement.

The expected timeline for utilising the remaining unutilised net proceeds is based on the best estimations of the future market conditions made by the Group. It is subject to change based on the current and future development of the market.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tong Chi Hoi (“Mr. Tong”), aged 55, is the chief executive officer of the Company. Mr. Tong is responsible for overseeing the Group’s operation, business development, human resources, finance and administration. He was appointed as a Director on 28 June 2019. Mr. Tong is also a director of Atlinks Holdings Limited (“**ATL Holdings**”), Atlinks Asia Limited (“**ATL Asia**”) and Swissvoice International SA (“**Swissvoice**”). Mr. Tong obtained his Bachelor of Engineering degree with First Class Honours from the University of London in August 1987. Mr. Tong has over 30 years of experience in telecommunication & electronic industry. Prior to his appointment as an executive Director, he was the President of Telecommunication Products of Vtech Telecommunications Limited from December 2006 to May 2019, a directly wholly-owned subsidiary of Vtech Holdings Limited being a company listed on the Main Board of the Stock Exchange (stock code: 303), President of CCT Tech (HK) Limited from November 1997 to October 2006 and as Senior Product Manager of Philips Consumer Communications from July 1994 to November 1997.

Ms. Ho Dora (“Ms. Ho”), aged 51, is the 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 39, 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 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 as well as parts inside electronic hard disk drives, 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.

Mr. Jean-Alexis René Robert Duc (“Mr. Duc”), aged 48, 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 Atlinks Europe (“**ATL Europe**”) in October 2012.

NON-EXECUTIVE DIRECTORS

Mr. Long Hak Kan (“Mr. Long”), aged 71, 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.

Mr. Didier Paul Henri Goujard (“Mr. Goujard”), aged 71, is a non-executive Director of the Company. Mr. Goujard was appointed as chief executive officer, executive Director and chairman of the risk management committee of the Company on 21 December 2017. Mr. Goujard was redesignated as non-executive Director and resigned as chief executive officer and chairman of the risk management committee on 28 June 2019. 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 ATL Europe, which was engaged in designing home and office telecommunications products, from January 2010 to January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lam Lai Ting Maria Goretti (“Ms. Lam”), aged 50, 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	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-aijia Limited	Contracting works with listed building management	Director	2012 to present
Eco Alliance Technologies Limited	Energy saving joint venture company	Director	2013 to present

Biographical Details of Directors and Senior Management

Ms. Chan Cheuk Man Vivian (“Ms. Chan”), aged 37, 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.

Ms. Lee Kit Ying Catherine (“Ms. Lee”), aged 51, was appointed as our independent non-executive Director on 14 June 2019. Ms. Lee 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. Lee graduated from the University of London and obtained a Bachelor of Science in Economics on 1 August 1997 and obtained her Master of Technology Management in Global Logistics Management from The Hong Kong University of Science and Technology on 5 November 2003. Ms. Lee has over 27 years of experience in management and strategic planning of overall supply chain and merchandising performance.

Prior to Ms. Lee’s appointment as an independent non-executive Director, Ms. Lee has served for Product Marketing Mayborn Limited as the Global Head of Strategic Projects (Operations) from December 2017 to October 2018, the Global Head of Asia Operations & Procurement from November 2010 to November 2017 and Head of Procurement from 31 August 2009 to October 2010.

Ms. Lee has served as the deputy managing director of Wiltec Industries (HK) Ltd. between November 2006 to June 2009. Ms. Lee served as the manager of the Asia operations of Atlinks Hong Kong Limited (previously known as Thomson Asia Limited and currently known as Technicolor Asia Limited, a technological company in the media and entertainment industry) from June 1998 to November 2006, a purchasing manager of Rightmark Technology Limited from November 1997 to June 1998, a purchasing manager of Lamex Trading Company Limited from September 1995 to November 1997, an assistant purchasing manager of Yip’s Hang Cheung (Holdings) Limited (currently known as Yip’s Chemical Holdings Limited, a company listed on the Main Board of the Stock Exchange, stock code: 408) from April 1993 to September 1995, and a purchaser of Coates Brothers (Hong Kong) Limited from June 1992 to March 1993.

SENIOR MANAGEMENT

Ms. Cesarini Claude Daniele Marie (“Ms. Cesarini”), aged 56, joined ATL Asia as Managing Director in July 2010 and is primarily responsible for overseeing the operation and administration of Atlinks in Latin America. Ms. Cesarini obtained Brevet de Technicien Supérieur in International Business from Ministère de l’Education Nationale (France) in June 1986. Prior to joining the Group, Ms. Cesarini worked at Technicolor Inc. USA (formerly 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 Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company’s policies and practices on corporate governance and reviewing the Company’s compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code during the year ended 31 December 2020.

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 Rule, 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 2020.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Tong Chi Hoi (*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. Didier Paul Henri Goujard

Independent Non-executive Directors:

Ms. Lam Lai Ting Maria Goretti
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

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 for Mr. Long Shing being the son 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.

Corporate Governance Report

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. Seven Board meetings and one general meeting were held during the year ended 31 December 2020.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, Risk Management Committee meetings and general meeting during the year ended 31 December 2020 is set out in the following table:

Name of Directors	Board	Audit	Remuneration	Nomination	Risk	General
	Meetings (attendance/ total no. of meeting held)	Committee Meetings (attendance/ total no. of meeting held)	Committee Meetings (attendance/ total no. of meeting held)	Committee Meetings (attendance/ total no. of meeting held)	Management Committee Meetings (attendance/ total no. of meeting held)	
Executive Directors						
Mr. Tong Chi Hoi	7/7	2/5	1/2	N/A	6/6	1/1
Mr. Jean-Alexis René Robert Duc	7/7	N/A	N/A	N/A	N/A	0/1
Ms. Ho Dora	7/7	5/5	2/2	1/1	6/6	1/1
Mr. Long Shing	7/7	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. Long Hak Kan	7/7	N/A	N/A	1/1	N/A	1/1
Mr. Didier Paul Henri Goujard	7/7	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors						
Ms. Lam Lai Ting Maria Goretti	7/7	5/5	2/2	N/A	6/6	1/1
Ms. Chan Cheuk Man Vivian	7/7	5/5	2/2	1/1	6/6	1/1
Ms. Lee Kit Ying Catherine	7/7	5/5	2/2	1/1	N/A	0/1

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 at request by 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 professional qualifications, accounting or related 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 2020, 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 2020, the chairman of the Board is Mr. Long Hak Kan whereas the chief executive officer of the Company is Mr. Tong. 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 2020 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 six 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 2020, the Risk Management Committee comprises three members namely:

Mr. Tong Chi Hoi (*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 CG Code.

During the year, the Audit Committee held five 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 2020, the Audit Committee comprises three members namely:

Ms. Lam Lai Ting Maria Goretti (*Chairman*)
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

All the members are Independent Non-Executive Directors (including an Independent Non-Executive Director who possess the appropriate professional qualifications, accounting or related financial management expertise). There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Company's annual results and annual report for the year ended 31 December 2020 have been reviewed by the Audit Committee.

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 two meetings. 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. The Remuneration Committee has reviewed the remuneration packages and emoluments of the Directors and senior management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and the senior management and considered that they are fair and reasonable during the year ended 31 December 2020.

As at 31 December 2020, the Remuneration Committee comprises three members namely:

Ms. Lee Kit Ying Catherine (*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 2020, the Nomination Committee comprises three members namely:

Mr. Long Hak Kan (*Chairman*)
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

Majority of the members are Independent Non-executive Directors.

NOMINATION POLICY

The Nomination Committee will reference the nomination policy (the “**Nomination Policy**”) adopted by the Group on 23 March 2020 for selecting and recommending candidates for directorship. A summary of the Nomination Policy is disclosed below.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorship to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company’s business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximize shareholders’ value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) By giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) To consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firms and proposals from shareholders of the Company with due consideration given the criteria;
- (c) To adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) To make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees.

DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”) on 23 March 2020. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall take into account, *inter alia*:

- the Group’s actual and expected financial performance;
- shareholders’ interests;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the level of the Group’s debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group’s creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- the Group’s expected working capital requirements and future expansion plans;

- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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.

Corporate Governance Report

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. Tong, Ms. Lam and Ms. Chan, 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 2020 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 2020 are set out as follows:

	Fee paid/ payable HK\$'000
Audit services	965
Non-audit services	–
Total	965

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 whose biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Ms. Ho 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) 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.

Name of Directors	CPD Participation Yes/No
Executive Directors	
Mr. Tong Chi Hoi	Yes
Mr. Jean-Alexis René Robert Duc	Yes
Ms. Ho Dora	Yes
Mr. Long Shing	Yes
Non-executive Directors	
Mr. Long Hak Kan	Yes
Mr. Didier Paul Henri Goujard	Yes
Independent Non-executive Directors	
Ms. Lam Lai Ting Maria Goretti	Yes
Ms. Chan Cheuk Man Vivian	Yes
Ms. Lee Kit Ying Catherine	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 requisitioner(s) may convene an extraordinary general meeting himself/themselves, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(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 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 telephones, mobile devices, 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 2020 to 31 December 2020.

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 devices, video, multimedia terminals, and other communication products dedicated to the elderly in Hong Kong and France. Our customers mainly include telecom operators and professional and consumer retailers channels covering APAC, Latin America, France and other European countries. We are dedicated to the development and sale of 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. This allows the Group to understand risks and opportunities. 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 Group has identified key stakeholders that are important to our business and established various channels for communication. 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.

Stakeholders	Expectations	Engagement channels	Measures
Government	<ul style="list-style-type: none"> - Comply with the laws - Proper tax payment - Promote regional economic development and employment 	<ul style="list-style-type: none"> - On-site inspections and checks - Research and discussion through work conferences, work reports preparation and submission for approval - Annual reports - Website 	<ul style="list-style-type: none"> - 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
Shareholders and Investors	<ul style="list-style-type: none"> - Low risk - Return on the investment - Information disclosure and transparency - Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> - Annual general meeting and other shareholder meetings - Annual report, announcements 	<ul style="list-style-type: none"> - 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
Employees	<ul style="list-style-type: none"> - Safeguard the rights and interests of employees - Working environment - Career development opportunities - Self-actualisation - Health and safety 	<ul style="list-style-type: none"> - Trainings, seminars, briefing sessions - Cultural and sport activities - Newsletters - Intranet and emails 	<ul style="list-style-type: none"> - 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
Customers	<ul style="list-style-type: none"> - Safe and high-quality products - Stable relationship - Information transparency - Integrity - Business ethics 	<ul style="list-style-type: none"> - Website, brochures - Email and customer service hotline - Regular meeting 	<ul style="list-style-type: none"> - Developing products and services that promote the healthiness and well-being of customers through the application of our consumer products
Suppliers/ Partners	<ul style="list-style-type: none"> - Long-term partnership - Honest cooperation - Fair, open - Information resources sharing - Risk reduction 	<ul style="list-style-type: none"> - Business meetings, supplier conferences, phone calls, interviews - Regular meeting - Review and assessment - Tendering process 	<ul style="list-style-type: none"> - To select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors

Environmental, Social and Governance Report

Through general communication with stakeholders, 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 Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 20 of the GEM Listing Rules) and the guidelines of Global Reporting Initiative (“GRI”).

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 20 of the GEM Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group’s management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2020, those important ESG areas to the Group were discussed in this Report.

A. 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.

A1. 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. GHG emissions decreased slightly in 2020 as there was sales decline in the home telephone segment in France and Latin America and the installation of efficient lighting systems to enhance the effectiveness of energy saving measures during the year.

During the reporting period, the GHG emission was as follows:

GHG Emission ¹	Unit	2020 HK	2020 France	2020 Total	2019 Total ²
Scope 2 ³	tonnes of CO ₂ -e	19.25	0.43	19.68	21.30
Total	tonnes of CO ₂ -e	19.25	0.43	19.68	21.30
GHG emission intensity	tonnes of CO ₂ -e/m ²	0.047	0.001		HK: 0.051 France: 0.002

Hazardous and Non-hazardous Wastes

The Group does not generate any hazardous wastes. Non-hazardous wastes generated from the Group includes paper and office wastes. The group implemented various environmental measures effectively to reduce non-hazardous wastes during the year. For instance, double-sided printing is recommended, lighting and electrical devices (computer, monitor, air-conditioning system, etc.) are turned off after office hours or when they are not in use.

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

Waste Disposal	Unit	2020 HK	2020 France	2020 Total	2019 Total ²
Non-hazardous wastes generated					
Paper	tonnes	0.388	0.165	0.553	0.252
Plastic	tonnes	0.003	0.003	0.006	0.011
Waste Electrical and Electronic Equipment (WEEE)	tonnes	–	0.079	0.079	0.072
Batteries	tonnes	–	0.018	0.018	N/A
Coffee capsule	tonnes	–	0.048	0.048	N/A
Total	tonnes	0.391	0.313	0.704	0.335
Non-hazardous wastes generated intensity	tonnes/m ²	0.00096	0.00082		HK: N/A France: 0.0010
Non-hazardous wastes recycled					
Paper	tonnes	0.008	0.165	0.173	0.252
Plastic	tonnes	0.003	0.003	0.006	0.011
Waste Electrical and Electronic Equipment (WEEE)	tonnes	–	0.079	0.079	0.072
Batteries	tonnes	–	0.018	0.018	N/A
Coffee capsule	tonnes	–	0.048	0.048	N/A
Total	tonnes	0.011	0.313	0.324	0.335
Non-hazardous wastes recycled intensity	tonnes/m ²	0.00003	0.00082		HK: N/A France: 0.001

A2. 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.

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. Energy consumption decreased slightly in 2020 as there was sales decline in the home telephone segment in France and Latin America and the installation of efficient lighting systems to enhance the effectiveness of energy saving measures during the year.

¹ The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

² The data of 2019 has been restated for comparative purpose.

³ Scope 2: Indirect emissions from purchased electricity consumed by the Group.

During the reporting period, the energy consumption was as follows:

Energy	Unit	2020 HK	2020 France	2020 Total	2019 Total ²
Purchased electricity	MWh	38.49	13.71	52.20	59.19
Total energy consumption	MWh	38.49	13.71	52.20	59.19
Energy consumption intensity	MWh/m ²	0.09	0.04		HK: 0.10 France: 0.05

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.

A3. 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.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. EMPLOYMENT

The Group believes that people are important assets and competent staff are 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 employee gatherings events. 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 case (2019: nil) 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 human resources 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 department managers on an annual basis in the meetings. Besides, the competences of the employees and training can be reviewed in the meetings as well.

As at 31 December 2020, the employee compositions (in percentage of employees) by gender, age group, employment type, geographical region and employment mode were as follows:

Employee compositions	2020	2019
By gender		
• Male	51%	57%
• Female	49%	43%
By age group		
• Age 30 or below	9%	5%
• Age 31-40	14%	14%
• Age 41-50	34%	36%
• Age 51 or above	43%	45%
By geographical region		
• Hong Kong	51%	52%
• France	40%	38%
• Spain	9%	7%
• Mexico	–	3%
By employment category		
• Senior management	12%	N/A
• Middle management	–	N/A
• General	88%	N/A
By employment mode		
• Full-time	91%	95%
• Part-time	9%	5%

The employee turnover rate during the year by gender, age group and geographical region were as follows:

Employee turnover rate	2020	2019
By gender		
• Male	26%	24%
• Female	10%	25%
By age group		
• Age 30 or below	29%	67%
• Age 31-40	17%	33%
• Age 41-50	26%	33%
• Age 51 or above	11%	5%
By geographical region		
• Hong Kong	18%	30%
• France	18%	22%
• Spain	25%	–
• Mexico	–	–
Overall	18%	24%

B2. 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 2020, no concluded cases (2018: nil, 2019: nil) 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.

B3. 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. The detailed breakdown of employees trained by gender and employee category is as follow:

Percentage of employee trained	2020
By gender	
• Male	83%
• Female	17%
By employment category	
• Senior management	17%
• Middle management	–
• General	83%

The average training hours completed per employee by gender and employee category is as follow:

Average training hours (hours/employee)	2020
By gender	
• Male	0.22
• Female	0.05
By employment category	
• Senior management	0.22
• Middle management	–
• General	0.13

B4. 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 case (2019: nil) related to child labour or forced labour.

OPERATING PRACTICES

B5. 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 our suppliers by audits and rate them to avoid child labour and any compulsory or forced labour. Moreover, we evaluate our suppliers by audits and rate them in the health and safety aspects. The Group emphasizes 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 standard are qualified to be our suppliers.

Chemicals management

The Group complies with the regulations in force regarding the Restriction of Hazardous Substances (2002/95/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.

B6. 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 (2014/35/EU) and Electromagnetic compatibility Directive (2014/30/EU). Tests are performed for safety products approval before deliver to the market, and records are kept for compliance demonstration. Besides, the Group makes an effort to improve customer service and some of the achievements are listed below:

- We have a web site with customer interface to allow customers to ask questions related to our products or services.
- We 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 set up 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.

B7. 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 in accordance with this Code of Conduct to the local or global Management, employee's representatives or the Management representative.

Moreover, we have 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 (2019: nil) regarding corrupt practices brought against the Group or its employees.

The Group requests its employees and consultants to follow the training provided by United Nations "The Fight against corruption". At the end of the year, 65% of the Group of people have completed the training. The number of employees received anti-corruption training and the training hours by employment category were as follows:

Anti-corruption Training		
By employment category	Number of employees received training	Number of training hours
– Board of directors	–	–
– Senior management	–	–
– Middle management	–	–
– General	5	10.0
Total	5	10.0

COMMUNITY

B8. COMMUNITY INVESTMENT

In 2020, the Group has continued to collaborate with local associations to promote the community development. This year, we collaborate with Screlec 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 Best Performer Worldwide in the category: advanced manufacturing" in March 2020 and "Sustainability Rating: Platinum level of recognition" from EcoVadis in October 2020.

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B7: Anti-corruption		
General Disclosure	“Anti-corruption”	32
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	–	–
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	“Anti-corruption”	32
KPI B7.3 Description of anti-corruption training provided to directors and staff	“Anti-corruption”	32
Community		
B8: Community Investment		
General Disclosure	“Community Investment”	32
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	–	–
KPI B8.2 Resources contributed (e.g. money or time) to the focus area	“Community Investment”	32

Report of the Directors

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 2020.

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 2020 are set out in the consolidated financial statements on pages 47 to 99 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 December 2020.

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 2019 and 31 December 2020, sales of products bearing the Licensed Marks accounted for approximately 77.4% and 74.9% 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 2019 and 31 December 2020, the sales of products to our five largest customers accounted for approximately 31.0% and 32.6% 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 2019 and 31 December 2020, purchases from our five largest suppliers account for approximately 96.6% and 90.7% of our total purchases, respectively. During the same periods, purchases from our largest supplier accounted for approximately 59.2% and 32.2% 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 2020.

DIVIDEND AND DISTRIBUTABLE RESERVES

For year ended 31 December 2020, our Group has no dividend paid (2019: Nil). 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. Details of our Group’s dividend policy are set out in the section headed “Dividend Policy” on page 18. 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 five years is set out on page 100 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed 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 Share Option Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries. 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 2020. As at 31 December 2020, 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. Tong Chi Hoi
Mr. Jean-Alexis René Robert Duc
Ms. Ho Dora
Mr. Long Shing

Non-executive Directors:

Mr. Long Hak Kan
Mr. Didier Paul Henri Goujard

Independent Non-executive Directors:

Ms. Lam Lai Ting Maria Goretti
Ms. Chan Cheuk Man Vivian
Ms. Lee Kit Ying Catherine

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 2020 falls within the following band:

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

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.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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 at 31 December 2020, the interests and short positions of the Directors and the chief executives 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "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") (Note 3)	Interest of spouse	510 ordinary shares	51%
Tong Chi Hoi ("Mr. Tong") (Note 3)	TOHL (Note 3)	Interest in a controlled corporation	490 ordinary shares	49%

Notes:

- These Shares were held by Argento Investments Limited ("AIL"), which is wholly-owned by Mr. Goujard.
- 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 owned as to 51% 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.
- On 8 July 2020, the Company was informed by Ms. Chu that she had transferred her 49% shareholding in TOHL to Mr. Tong. After the completion of the said transfer, TOHL is owned as to 51% by Ms. Chu and 49% by Mr. Tong.

Save as disclosed above, as at 31 December 2020, 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 2020.

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

As at 31 December 2020, 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

Name	Capacity	Number of shares	Percentage of shareholding
Eiffel Global	Beneficial owner	300,000,000	75%
TOHL <i>(Note 1)</i>	Interest of controlled corporation	300,000,000	75%
Ms. Chu <i>(Note 2)</i>	Interest of controlled corporation	300,000,000	75%
Mr. Tong <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%
Ng Ching Yi Doris (" Ms. Ng ") <i>(Note 4)</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) On 8 July 2020, the Company was informed by Ms. Chu that she had transferred her 49% shareholding in TOHL to Mr. Tong. After the completion of the said transfer, TOHL is owned as to 51% by Ms. Chu and 49% by Mr. Tong.
- (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.
- (4) Ms. Ng is the spouse of Mr. Tong and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Tong under the SFO.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives 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 2020 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:

	Percentage of the Group's total purchases
The largest supplier	32.2%
Five largest suppliers in aggregate	90.7%
	Percentage of the Group's total sales
The largest customer	9.5%
Five largest customers in aggregate	32.6%

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 suppliers 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 2020, the sales of our products to our largest customer and five largest customers accounted for approximately 9.5% and 32.6% 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 2020, our total purchases from our largest supplier and five largest suppliers accounted for approximately 32.2% and 90.7% 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 2020.

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 2020. 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 2020 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 2020.

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 2020 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 15 March 2021 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 2020. 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 2020; (b) no new competing business was reported by the Controlling Shareholders for the year ended 31 December 2020, 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 2020.

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, controlling shareholders, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person either directly or indirectly has or may have with the Group.

COMPLIANCE ADVISER’S INTERESTS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited (“**Lego**”) to be the compliance adviser. As at 31 December 2020, as notified by Lego, save for the compliance adviser agreement dated 12 September 2017 entered into between the Company and Lego regarding the receipt of fees for acting as the compliance adviser, neither the compliance adviser nor its directors or employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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. In the last three years preceding 31 December 2020, there has been no change in auditor of the Company.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.atlinks.com.

By the order of Board

Long Hak Kan
Chairman

15 March 2021

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 99, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 judgement, 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
- Impairment assessment of intangible assets

Key Audit Matter**How our audit addressed the Key Audit Matter****Impairment of trade receivables**

Refer to Note 3.1(c), Note 4(a) and Note 20 to the consolidated financial statements.

As at 31 December 2020, the Group had gross trade receivables of EUR9,103,242 (2019: EUR9,521,079) and allowance for impairment of trade receivables of EUR355,918 (2019: EUR395,219).

Management applied judgement in assessing the expected credit losses. Trade receivables related to customers with known financial difficulties or significant doubt on collection of trade receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for the likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

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, the higher degree of estimation uncertainty and the subjectivity in management's judgement involved in determining the expected loss allowance of the trade receivables.

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

- Understanding management's internal control and assessment process of provision for impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with this accounting estimate;
- 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 2020 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 forwardlooking information, used to determine the expected credit losses.

Based upon the above procedures, we found that the estimation and judgement made by management in respect of the expected credit loss allowance and the collectibility of trade receivables were supportable by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Impairment assessment of intangible assets

Refer to Note 4(d) and Note 16 to the consolidated financial statements.

As at 31 December 2020, the Group had intangible assets of EUR3,637,617 (2019: EUR3,746,460), and for the year then ended, the Group recorded a profit for the year of EUR514,375 (2019: a loss for the year of EUR1,689,576).

For the purpose of assessing impairment of intangible assets that have indefinite useful life which were not subject to amortisation, such 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.

We focused on this area due to the estimation of recoverable amount is subject to the higher degree of estimation uncertainty and the subjectivity in management's judgement involved.

How our audit addressed the Key Audit Matter

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

- Understanding management's internal control and assessment process of impairment of intangible assets and assessed the inherent risk of misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with this accounting estimate;
- 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;
- Challenging 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 with the involvement of our internal valuation experts; and
- Performing sensitivity analyses on the key assumptions to which the valuation models are the most sensitive.

Based upon the above procedures, we found that the estimation and judgement made by management in respect of the impairment assessment of intangible assets were supportable by the 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 THE 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)*

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (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, actions taken to eliminate threats or safeguards applied.

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, 15 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
Revenue	5	29,829,719	31,592,701
Cost of sales	8	(20,816,053)	(23,332,152)
Gross profit		9,013,666	8,260,549
Other income	6	6	28,129
Other gain	7		
– Exchange difference		411,278	58,511
– Fair value changes on financial assets/liabilities at fair value through profit or loss		(43,003)	(52,284)
Selling and distribution expenses	8	(2,977,100)	(3,305,119)
Administrative expenses	8		
– Reversal of/(net impairment losses) on financial assets	3.1(c)	39,301	(280,362)
– Restructuring cost		–	(348,802)
– Others		(5,156,158)	(5,980,461)
Operating profit/(loss)		1,287,990	(1,619,839)
Finance income	11	1,622	8,122
Finance costs	11	(412,448)	(486,032)
Finance costs, net	11	(410,826)	(477,910)
Profit/(loss) before income tax		877,164	(2,097,749)
Income tax (expense)/credit	12	(362,789)	408,173
Profit/(loss) for the year		514,375	(1,689,576)
Attributable to:			
Equity holders of the Company		514,375	(1,683,571)
Non-controlling interests		–	(6,005)
		514,375	(1,689,576)
Earnings/(loss) per share			
– Basic and diluted (expressed in Euro cents per share)	13	0.13	(0.42)

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 2020

	2020 EUR	2019 EUR
Profit/(loss) for the year	514,375	(1,689,576)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(377,609)	47,473
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement plans, net of tax	8,290	(20,670)
Other comprehensive (loss)/income for the year	(369,319)	26,803
Total comprehensive income/(loss) for the year	145,056	(1,662,773)
Attributable to:		
Equity holders of the Company	145,056	(1,660,336)
Non-controlling interests	-	(2,437)
	145,056	(1,662,773)

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 2020

	Notes	2020 EUR	2019 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	15(a)	550,675	293,323
Right-of-use assets	15(b)	457,497	716,330
Intangible assets	16	3,637,617	3,746,460
Deferred income tax assets	27	992,749	1,355,069
Prepayments, deposits and other receivables	21	37,817	41,132
		5,676,355	6,152,314
Current assets			
Inventories	19	7,525,923	6,983,843
Deferred income tax assets	27	21,151	9,110
Financial assets at fair value through profit or loss	17	–	8,249
Trade receivables	20	8,747,324	9,125,860
Prepayments, deposits and other receivables	21	2,123,509	1,371,616
Income tax recoverable		14,342	123,981
Pledged bank deposits	22	1,237,657	2,332,735
Cash and cash equivalents	22	5,327,808	2,481,656
		24,997,714	22,437,050
Total assets		30,674,069	28,589,364
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	417,819	417,819
Reserves	23	7,545,590	7,400,534
		7,963,409	7,818,353
Non-controlling interests		–	42,437
Total equity		7,963,409	7,860,790

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 2020

	Notes	2020 EUR	2019 EUR
LIABILITIES			
Non-current liabilities			
Lease liabilities	15(b)	221,168	475,582
Deferred income tax liabilities	27	1,061	6,069
Retirement benefits obligation	29	325,889	341,241
Other payables	25	2,076,619	2,370,903
		2,624,737	3,193,795
Current liabilities			
Trade payables	24	6,260,640	3,924,968
Contract liabilities		169,804	67,204
Deferred income tax liabilities	27	43,785	18,179
Accruals, provision and other payables	25	5,031,083	3,852,441
Financial liabilities at fair value through profit or loss	17	75,538	32,535
Loan from related parties	32(c)	1,915,960	–
Borrowings	26	6,368,804	9,417,387
Lease liabilities	15(b)	220,309	222,065
		20,085,923	17,534,779
Total liabilities		22,710,660	20,728,574
Total equity and liabilities		30,674,069	28,589,364

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

The consolidated financial statements on pages 47 to 99 were approved by the Board of Directors on 15 March 2021 and were signed on its behalf.

Tong Chi Hoi
Executive Director

Ho Dora
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity holder of Atlinks Group Limited					Total EUR	Non- controlling interest EUR	Total EUR
	Share capital EUR	Merger reserve EUR	Share premium EUR	Other reserve EUR	Retained earnings/ (accumulated losses) EUR			
Balances at 1 January 2019	417,819	4,386,123	3,557,226	262,325	855,196	9,478,689	44,874	9,523,563
Comprehensive loss								
Loss for the year	-	-	-	-	(1,683,571)	(1,683,571)	(6,005)	(1,689,576)
Other comprehensive income/(loss)								
Currency translation difference	-	-	-	43,905	-	43,905	3,568	47,473
Remeasurement of defined benefit retirement plans, net of tax	-	-	-	(20,670)	-	(20,670)	-	(20,670)
Other comprehensive income	-	-	-	23,235	-	23,235	3,568	26,803
Total comprehensive loss for the year	-	-	-	23,235	(1,683,571)	(1,660,336)	(2,437)	(1,662,773)
Balances at 31 December 2019 and 1 January 2020	417,819	4,386,123	3,557,226	285,560	(828,375)	7,818,353	42,437	7,860,790
Comprehensive income								
Profit for the year	-	-	-	-	514,375	514,375	-	514,375
Other comprehensive income/(loss)								
Currency translation difference	-	-	-	(377,609)	-	(377,609)	-	(377,609)
Remeasurement of defined benefit retirement plans, net of tax	-	-	-	8,290	-	8,290	-	8,290
Other comprehensive income loss	-	-	-	(369,319)	-	(369,319)	-	(369,319)
Total comprehensive income for the year	-	-	-	(369,319)	514,375	145,056	-	145,056
Transaction with owners								
Distribution to shareholders by certain subsidiary	-	-	-	-	-	-	(42,437)	(42,437)
Balances at 31 December 2020	417,819	4,386,123	3,557,226	(83,759)	(314,000)	7,963,409	-	7,963,409

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 2020

	Notes	2020 EUR	2019 EUR
Cash flows from operating activities			
Cash generated from operations	28	4,354,356	266,944
Interest received		1,622	8,122
Income tax paid		(3,261)	(1,531)
Income tax refund		133,109	–
<hr/>			
Net cash inflow from operating activities		4,485,826	273,535
Cash flows from investing activities			
Purchase of property, plant and equipment		(537,916)	(104,597)
Proceeds from disposal of property, plant and equipment		–	2,405
Purchase of intangible assets		(185,000)	(92,851)
Proceeds from disposal of financial assets at fair value through profit or loss		8,160	–
Distribution by certain subsidiary		42,437	–
<hr/>			
Net cash outflow from investing activities		(672,319)	(195,043)
Cash flows from financing activities			
Proceeds from bank borrowings		26,982,345	40,281,108
Repayment of bank borrowings		(29,912,883)	(40,161,574)
Proceeds from loans from related parties		2,085,747	–
Interest paid		(402,301)	(486,032)
Principle elements of lease payments		(246,216)	(238,468)
Pledged bank deposit for bank loans		1,056,836	(266,258)
<hr/>			
Net cash outflow from financing activities		(436,472)	(871,224)
Net increase/(decrease) in cash and cash equivalents			
		3,377,035	(792,732)
Cash and cash equivalents at beginning of the year		2,481,656	3,324,261
Effects of exchange rate changes on cash and cash equivalents		(530,883)	(49,873)
<hr/>			
Cash and cash equivalents at end of the year	22	5,327,808	2,481,656

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 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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.

The consolidated financial statements are presented in EURO (“**EUR**”) 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

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

- (a) financial assets and liabilities (financial assets/liabilities at fair value through profit or loss) and certain classes of property, plant and equipment – measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to HKFRS 3 – Definition of a Business
- Amendments to HKAS 1 and HKAS 8 – Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9 – Hedge accounting
- Conceptual Framework for Financial Reporting 2018 – Revised Conceptual Framework for Finance Reporting

The Group also elected to adopt the following amendments early.

- Amendments to HKFRS 16 – Covid-19-Related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above and in Note 2.2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***2.1 Basis of preparation** *(Continued)***(iv) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations that have been published but are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group are as follows.

		Effective for accounting period beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The Group has early adopted Amendment to HKFRS 16-Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent. Rent concessions totaling EUR2,034 have been accounted for as negative variable lease payments and recognised in administrative expenses in the consolidated income statement for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

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 income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 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 EUR. The consolidated financial statements are presented in 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.

(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:

- (a) 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;
- (b) income and expenses for each income statement 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
- (c) all resulting currency translation differences are recognised in other comprehensive income.

2.6 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.

2.7 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%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

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

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.

2.8 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 ranging from 10 to 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.

2.9 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.

2.10 Financial assets

(i) Classification

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

(i) Classification *(Continued)*

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.

(ii) 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.

(iii) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

(iv) Impairment

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.

2.11 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.

2.12 Inventories

Finished goods

Inventories are carried at the lower of cost and net realizable value. Cost is determined using first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated applicable selling expenses.

2.13 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.

2.14 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 2.10 (ii) for further information about the Group's accounting for trade receivables and Note 3.1 (c) for a description of the Group's impairment policies.

2.15 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 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.

2.17 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(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.

(c) Long service payments

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under Hong Kong Employment Ordinance is the amount of future benefits that the employee have earned in return for their services in the current and prior periods.

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.

(i) 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 Company 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.

(ii) Other provision

Provisions for restructuring costs 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. Restructuring costs provision comprises employee termination payments. Provisions are not recognised for future operating losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of buildings and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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.

(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 Hong Kong dollars ("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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

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 2020, if US\$ had strengthened/weakened against EUR by 5% with all other variables held constant, the profit before tax for the year would have been EUR49,283 lower/higher (2019: loss before tax for the year would have been EUR142,489 higher/lower), mainly as a result of foreign exchange loss/gain on revaluation of USD 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 2020 and 2019, 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.

At 31 December 2020, if interest rates on borrowing had been 50 basis points higher/lower and all other variables held constant, the profit before tax for the year would have been EUR 9,613 lower/higher (2019: loss before tax for the year would have been EUR229,973 higher/lower), mainly as a result of higher/lower interest expense on floating-rate borrowings.

(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 2020.

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 loss provision for trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

The receivables relating to customers with known financial difficulties or with significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of loss allowance in respect of individually assessed receivables was EUR249,581 (2019: EUR355,918).

Expected credit losses are also estimated by grouping the remaining receivables from third party based on shared credit risk characteristics and the days past due and collectively assessed for the likelihood of loss allowance, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are based on corresponding historical credit losses experienced up to 2 years and are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2020, the balance of loss allowance in respect of collectively assessed trade receivables was EUR106,337 (2019: Nil).

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

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

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

	EUR
Loss allowance as at 1 January 2019	114,857
Increase in loss allowance	280,362
Loss allowance as at 31 December 2019 and 1 January 2020	395,219
Decrease in loss allowance	(39,301)
Loss allowance as at 31 December 2020	355,918

Note: Included in the trade receivable is an amount of EUR567,181 which is aged for more than 3.8 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 commenced legal proceeding in March 2019 and it is still in progress. The directors are of the opinion that no additional provision is necessary based on the latest available information including legal advice from lawyers.

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 2020 (2019: same).

(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 2020 and 2019. 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 undiscounted 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 2020					
Trade payables	-	6,260,640	-	-	6,260,640
Borrowings	6,368,804	-	-	-	6,368,804
Loan from related parties	-	1,915,960	-	-	1,915,960
Accruals	-	3,205,707	-	-	3,205,707
License fee payable	-	1,539,687	1,320,585	756,034	3,616,306
Lease liabilities	-	254,400	225,847	-	480,247
	6,368,804	13,176,394	1,546,432	756,034	21,847,664

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

	On demand EUR	Less than 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
As at 31 December 2019					
Trade payables	–	3,924,968	–	–	3,924,968
Borrowings	9,417,387	–	–	–	9,417,387
Accruals	–	2,230,334	–	–	2,230,334
License fee payable	–	1,183,555	1,261,872	1,109,031	3,554,458
Lease liabilities	–	235,990	488,465	–	724,455
	9,417,387	7,574,847	1,750,337	1,109,031	19,851,602

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
At 31 December 2020					
Borrowings	6,010,242	356,594	44,530	–	6,411,366
At 31 December 2019					
Borrowings	8,795,878	452,015	247,173	–	9,495,066

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.

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Capital risk management (Continued)**

The gearing ratio as at 31 December 2020 and 2019 are as follows:

	2020 EUR	2019 EUR
Total borrowings	8,284,764	9,417,387
Less: cash and cash equivalents	(5,327,808)	(2,481,656)
Net debt	2,956,956	6,935,731
Total equity	7,963,409	7,860,790
Total capital	10,920,365	14,796,521
Net gearing ratio	27%	47%

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
As at 31 December 2020	
Financial liabilities at fair value through profit or loss	(75,538)
As at 31 December 2019	
Financial assets at fair value through profit or loss	8,249
Financial liabilities at fair value through profit or loss	(32,535)

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 balance sheet date, 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 2020 and 2019.

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 trade receivables

The Group makes provision for impairment in trade receivables based on an assessment of the risk of default and expected loss rates of receivables. This assessment is based on the credit history of its customers and other debtors, the current market condition as well as forward looking estimates at the end of each reporting period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation.

(a) 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 judgement 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.

(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.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(Continued)***(d) 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 has reorganised the operating segments. This change in segment reporting align with the manner in which the Group's CODM currently receives and uses financial information to allocate resources and evaluate the performance of reporting segments. This change in segment presentation does not affect consolidated balance sheets, consolidated statements of operations and comprehensive income or consolidated statements of cash flows. The Group retrospectively revised prior year segment information, to conform to current year presentation.

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

	2020 EUR	2019 EUR
Home telephone	20,445,507	23,092,546
Senior products	6,089,663	4,823,224
Office telephone	2,976,177	3,264,064
Others (Note)	318,372	412,867
	29,829,719	31,592,701

Note: Others include IP devices and other miscellaneous products.

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:

	2020 EUR	2019 EUR
France	16,747,698	17,407,355
Other European countries (Note i)	6,880,049	5,773,277
APAC/Russia/MEA (Note ii)	4,095,510	3,906,866
Latin America (Note iii)	2,106,462	4,505,203
	29,829,719	31,592,701

Notes:

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

Revenue from customer contributing over 10% of the total revenue of the Group is as follows:

	2020 EUR	2019 EUR
Customer A	N/A ¹	3,481,435

¹ Customer A did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

6 OTHER INCOME

	2020 EUR	2019 EUR
Others	6	28,129

7 OTHER GAIN

	2020 EUR	2019 EUR
Net foreign exchange gain	411,278	58,511
Net loss on financial assets/liabilities at fair value through profit or loss	(43,003)	(52,284)
	368,275	6,227

8 EXPENSES BY NATURE

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

	2020 EUR	2019 EUR
Operating lease expenses	35,014	101,853
Employee benefit expenses other than directors' emoluments (Note 9)	2,531,531	2,958,328
Legal and professional fees	345,721	357,002
Auditor's remuneration	109,040	107,514
Advertising and marketing expense	641,588	593,140
Directors' emoluments (Note 10)	1,012,787	894,336
Cost of inventories	20,215,262	22,507,006
Freight and transportation	890,272	857,304
Depreciation of property, plant and equipment (Note 15(a))	261,556	319,187
Depreciation of right-of-use assets (Note 15(b))	249,048	219,763
(Reversal of)/loss allowance on trade receivables (Note 3.1(c))	(39,301)	280,362
(Reversal of)/provision for impairment of inventories (Note 19)	(56,372)	42,991
Removal and decoration expense	–	77,320
Provision for product warranty (Note 25)	114,109	128,908
Restructuring cost (Note)	–	348,802
Commission fee	509,679	580,924
Storage fee	408,551	526,873
Amortisation of intangible assets (Note 16)	308,805	298,491
Others	1,372,720	2,046,792
Total cost of sales, selling and distribution expenses and administrative expense	28,910,010	33,246,896

Note:

During the year ended 31 December 2019, the Group recognised one-off restructuring costs of EUR348,802. Included in the restructuring costs were employee termination payments of EUR289,696, legal and professional fees of EUR48,592 and others of EUR10,514 which were recognised in "administrative expenses".

9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS

	2020 EUR	2019 EUR
Salaries, bonus and allowances	1,936,606	2,279,927
Retirement benefit expenses		
– Defined contribution pension costs	507,073	568,705
– Defined benefit pension costs (Note 29)	(19,192)	(33,681)
Other employee benefits	107,044	143,377
	2,531,531	2,958,328

Notes:

- (a) Government subsidies of EUR133,143 for the year ended 31 December 2020 are recognised as a deduction to salaries, bonus and allowances. These subsidies are primarily related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS (Continued)

Notes: (Continued)

- (b) 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-AGIRC, the Group makes monthly contributions of 9.87% (2019: 10.1%) and its employees make monthly contributions of 6.6% (2019: 5.2%) of the employee's relevant income to the scheme. For the years ended 31 December 2020 and 2019, the monthly social security is subject to a cap of EUR3,428 and EUR3,377 respectively.

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 year ended 31 December 2020 include three directors (2019: four), whose emoluments are reflected in the analysis presented in Note 10. The emoluments payable to the remaining two (2019: one) individuals during the years ended 31 December 2020 and 2019 are as follows:

	2020 EUR	2019 EUR
Salaries and other allowances	196,980	126,273
Pension cost		
– Defined contribution scheme	76,218	25,911
– Defined benefit scheme	16,140	950
	289,338	153,134

The emoluments fell within the following bands:

	2020	2019
Emolument bands (in HK\$)		
NIL to HK\$1,000,000	–	–
HK\$1,000,000 to HK\$1,500,000	2	1

During the years ended 31 December 2020 and 2019, 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 2020

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension cost EUR	Defined benefit pension costs EUR	Total EUR
Executive directors							
Tong Chi Hoi (Chief executive officer) (Note f)	-	176,271	180,791	128,800	8,814	-	494,676
Ho Dora	-	151,006	54,237	-	16,611	-	221,854
Long Shing	-	44,802	13,559	-	3,136	-	61,497
Jean Alexis René Robert Duc	-	117,193	-	20,000	55,914	976	194,083
Non-executive directors							
Long Hak Kan (Chairman)	-	-	-	-	-	-	-
Didier Paul Henri Goujard (Note g)	-	-	-	-	-	-	-
Independent non-executive directors							
Lam Lai Ting Maria Goretti	13,559	-	-	-	-	-	13,559
Chan Cheuk Man Vivian	13,559	-	-	-	-	-	13,559
Lee Kit Ying Catherine (Note j)	13,559	-	-	-	-	-	13,559
	40,677	489,272	248,587	148,800	84,475	976	1,012,787

For the year ended 31 December 2019

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension cost EUR	Defined benefit pension costs EUR	Total EUR
Executive directors							
Tong Chi Hoi (Chief executive officer) (Note f)	-	90,477	111,288	-	4,524	-	206,289
Didier Paul Henri Goujard (Note g)	-	119,726	78,415	-	-	-	198,141
Ho Dora	-	152,383	54,732	-	16,762	-	223,877
Long Shing	-	45,211	13,683	-	3,165	-	62,059
Jean Alexis René Robert Duc	-	101,815	-	-	54,143	1,104	157,062
Non-executive directors							
Long Hak Kan (Chairman)	-	-	-	-	-	-	-
Long Fung (Note h)	-	-	-	-	-	-	-
Didier Paul Henri Goujard (Note g)	-	2,400	-	-	-	-	2,400
Independent non-executive directors							
Yiu Chun Kit (Note i)	9,654	-	-	-	-	-	9,654
Lam Lai Ting Maria Goretti	13,683	-	-	-	-	-	13,683
Chan Cheuk Man Vivian	13,683	-	-	-	-	-	13,683
Lee Kit Ying Catherine (Note j)	7,488	-	-	-	-	-	7,488
	44,508	512,012	258,118	-	78,594	1,104	894,336

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

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 years ended 31 December 2020 and 2019.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

(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 2020 and 2019.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2020 and 2019, 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 2020 and 2019, 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 2020 and 2019.

(f) Tong Chi Hoi was appointed as executive director with effect from 28 June 2019.

(g) Didier Paul Henri Goujard has been re-designated from an executive director to a non-executive director with effect from on 28 June 2019.

(h) Long Fung resigned as non-executive director with effect from 28 June 2019.

(i) Yiu Chung Kit resigned as independent non-executive director with effect from 14 June 2019.

(j) Lee Kit Ying Catherine was appointed as independent non-executive director with effect from 14 June 2019.

11 FINANCE COSTS, NET

	2020 EUR	2019 EUR
<i>Finance income</i>		
Bank interest income	1,612	7,404
Interest income from financial assets at fair value through profit or loss	10	718
	1,622	8,122
<i>Finance costs</i>		
Interest expense on factoring	146,398	133,036
Interest expense on bank borrowings	53,939	199,554
Interest expense on retirement benefit obligations (Note 29)	2,794	4,874
Interest expense on loans from related parties (Note 32)	76,663	–
Interest expense on license fee payables	118,799	131,302
Interest expense on lease liabilities (Note 15(b))	13,855	17,266
	412,448	486,032
Finance costs, net	410,826	477,910

12 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2020 (2019: 16.5%).

Corporate income tax on profits from a subsidiary operating in Mainland China has been calculated at 25% for the year ended 31 December 2020 (2019: 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 2020 (2019: 28%).

(a) Income tax expense/(credit)

	2020 EUR	2019 EUR
Current income tax:		
Current tax on profits for the year	3,261	–
Over provision in prior year	(17,950)	(2,811)
	(14,689)	(2,811)
Remeasurement of deferred tax by change in tax rate in France (Note 27)	64,000	–
Deferred income tax expense/(credit) (Note 27)	313,478	(405,362)
	362,789	(408,173)

12 INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	2020 EUR	2019 EUR
Profit/(loss) before income tax	877,164	(2,097,749)
Calculated at a taxation rate of 16.5% (2019:16.5%)	144,732	(346,129)
Expenses not deductible for tax purpose	73,608	185,062
Income not subject to tax	(94,212)	(67,618)
Effect of different tax rates in other jurisdictions	192,611	(176,677)
Remeasurement of deferred tax by change in tax rate in France (Note)	64,000	–
Over provision in prior years	(17,950)	(2,811)
Income tax expense/(credit)	362,789	(408,173)

Note: For the year ended 31 December 2020 and 2019, the applicable statutory Corporate Income Tax rate in France is 28%, According to the France Tax Department's promulgation on 5 October 2020, the applicable statutory Corporate Income Tax rate is stipulated at a rate of 25%, effective from 1 January 2022, hence deferred tax assets arising from subsidiary in France were re-measured at the applicable statutory Corporate Income Tax rate.

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

Basic earnings/(loss) per share for the years ended 31 December 2020 and 2019 are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during year.

	Year ended 31 December	
	2020	2019
Profit/(loss) attributable to equity holders of the Company (EUR)	514,375	(1,683,571)
Weighted average number of shares in issue (thousands)	400,000	400,000
Basic earnings/(loss) per share (expressed in Euro cents)	0.13	(0.42)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as the basic earnings/(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 2020 and 2019:

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	
				2020 %	2019 %	2020 %	2019 %
Directly held							
Atlinks Industries Limited	British Virgin Islands, limited liability company, 13 July 2017	Investment holding	EUR1	100	100	-	-
Indirectly held							
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 (Dissolved on 8 May 2020)	Trading and development of telecommunication equipment	Nil (2019: HK\$1,500,000)	-	51	-	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	EUR1,500,000 (2019: EUR500,000)	100	100	-	-
Atlinks Technology (Shenzhen) Limited	China, limited liability company, 6 March 2014	Trading and development of telecommunication equipment	HK\$ 1,700,000 (2019: 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(a) PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment EUR	Leasehold improvements EUR	Tooling EUR	Testing equipment EUR	Total EUR
Year ended 31 December 2020					
Opening net book amount	103,889	36,729	136,155	16,550	293,323
Additions	22,950	–	514,966	–	537,916
Currency translation difference	(1,033)	(1,814)	(15,752)	(409)	(19,008)
Depreciation charge	(67,372)	(18,138)	(164,120)	(11,926)	(261,556)
Closing net book amount	58,434	16,777	471,249	4,215	550,675
At 31 December 2020					
Cost	437,214	128,761	2,701,771	449,916	3,717,662
Accumulated depreciation	(378,780)	(111,984)	(2,230,522)	(445,701)	(3,166,987)
Net book amount	58,434	16,777	471,249	4,215	550,675
At 1 January 2019					
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)
Net book value	129,393	1,637	339,833	28,294	499,157
Year ended 31 December 2019					
Opening net book amount	129,393	1,637	339,833	28,294	499,157
Additions	54,640	49,957	–	–	104,597
Currency translation difference	1,568	400	6,590	198	8,756
Depreciation charge	(81,712)	(15,265)	(210,268)	(11,942)	(319,187)
Closing net book amount	103,889	36,729	136,155	16,550	293,323
At 31 December 2019					
Cost	427,925	132,834	2,391,751	459,025	3,411,535
Accumulated depreciation	(324,036)	(96,105)	(2,255,596)	(442,475)	(3,118,212)
Net book amount	103,889	36,729	136,155	16,550	293,323

For the year ended 31 December 2020 and 2019, depreciation expense amounted to EUR261,556 and EUR319,187 respectively, of which EUR164,120 and EUR210,268 has been charged in “cost of sales”, and EUR97,436 and EUR108,919 has been charged in “administrative expenses”.

15(b) LEASES**(i) Amounts recognised in the consolidated statement of financial position**

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 EUR	2019 EUR
Right-of-use assets		
Buildings	367,060	558,065
Equipment	90,437	158,265
	457,497	716,330
Lease liabilities		
Current	220,309	222,065
Non-current	221,168	475,582
	441,477	697,647

For the year ended 31 December 2020, there is no additions to the right-of-use assets (2019: EUR203,484).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Notes	2020 EUR	2019 EUR
Depreciation charge of right-of-use assets			
Buildings		181,220	174,544
Equipment		67,828	45,219
	8	249,048	219,763
Interest expense (included in finance cost)	11	13,855	17,266
Expense relating to short-term leases (included in administrative expenses)	8	35,014	101,853

For the year ended 31 December 2020, the total cash outflow for leases amounted to EUR246,216 (2019: EUR238,468).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 year to 5 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16 INTANGIBLE ASSETS

	Licensing right EUR	Trademarks EUR	Design patent EUR	Domain name and website EUR	Total EUR
Year ended 31 December 2020					
Opening net book amount	2,160,236	1,565,855	6,789	13,580	3,746,460
Addition	–	185,000	–	–	185,000
Amortisation	(270,029)	(35,776)	(1,000)	(2,000)	(308,805)
Currency translation differences	–	14,745	73	144	14,962
Closing net book amount	1,890,207	1,729,824	5,862	11,724	3,637,617
At 31 December 2020					
Cost	4,860,530	1,801,964	9,907	19,815	6,692,216
Accumulated amortisation	(2,970,323)	(72,140)	(4,045)	(8,091)	(3,054,599)
Net book amount	1,890,207	1,729,824	5,862	11,724	3,637,617
At 1 January 2019					
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)
Net book amount	2,430,265	1,442,340	7,496	14,993	3,895,094
Year ended 31 December 2019					
Opening net book amount	2,430,265	1,442,340	7,496	14,993	3,895,094
Addition	–	92,851	–	–	92,851
Amortisation	(270,029)	(25,570)	(964)	(1,928)	(298,491)
Currency translation differences	–	56,234	257	515	57,006
Closing net book amount	2,160,236	1,565,855	6,789	13,580	3,746,460
At 31 December 2019					
Cost	4,860,530	1,602,129	9,817	19,633	6,492,109
Accumulated amortisation	(2,700,294)	(36,274)	(3,028)	(6,053)	(2,745,649)
Net book amount	2,160,236	1,565,855	6,789	13,580	3,746,460

For the years ended 31 December 2020 and 2019, amortisation charge amounted to EUR308,805 and EUR298,491 respectively, of which EUR305,805 and EUR295,599 has been charged in “cost of sales”, and EUR3,000 and EUR2,892 has been charged in “administrative expenses”.

16 INTANGIBLE ASSETS (Continued)

Impairment review on the trademark and licensing right of the Group has been conducted by the management as at 31 December 2020 and 2019 according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the trademark and licensing right is determined based on value-in-use calculations which use cash flow projections based on financial budgets of the respective CGUs covering a five-year period, and a pre-tax discount rate ranging from 18.4% to 21.8% (2019: ranging from 19.7% to 23.5%) per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a five-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 ranging from -8.8% to 28.5% (2019: ranging from -4.5% to 15.2%) for five-year period budgets and a terminal growth rate of 3% (2019: 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 CGUs to exceed the its recoverable amount.

17 FINANCIAL (LIABILITIES)/ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 EUR	2019 EUR
(Liabilities)/Assets		
Wealth investment product	–	8,249
Foreign exchange forward contracts	(75,538)	(32,535)
	(75,538)	(24,286)

The financial liabilities at fair value through profit or loss mainly consist of the following contracts:

	2020	2019
Foreign exchange forward contracts in respect of EUR against US\$		
– Notional principal amounts	US\$4,500,000	US\$3,500,000
– Maturities as at year end	Range from 1 months to 4 months	Range from 3 months to 6 months

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 EUR	2019 EUR
Financial assets		
Financial assets at fair value through profit or loss	–	8,249
Financial assets at amortised cost		
– Trade receivables	8,747,324	9,125,860
– Deposits and other receivables	924,609	967,306
– Pledged bank deposits	1,237,657	2,332,735
– Cash and cash equivalents	5,327,808	2,481,656
	16,237,398	14,907,557
	16,237,398	14,915,806

18 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	2020 EUR	2019 EUR
Financial liabilities		
Financial liabilities at fair value through profit or loss	75,538	32,535
Financial liabilities at amortised cost		
– Trade payables	6,260,640	3,924,968
– Accruals of sales rebate	707,659	557,055
– License fee payables	3,616,306	3,554,458
– Loan from related parties	1,915,960	–
– Bank borrowings	6,368,804	9,417,387
– Lease liabilities	441,477	697,647
	19,310,846	18,151,515
	19,386,384	18,184,050

19 INVENTORIES

	2020 EUR	2019 EUR
Finished goods	7,797,697	7,318,047
Provision for impairment	(271,774)	(334,204)
	7,525,923	6,983,843

The cost of inventories included in cost of sales during the years ended 31 December 2020 and 2019 amounted to approximately EUR20,215,262 and EUR22,507,006 respectively. Movements on the provision for impairment of inventories are as follows:

	EUR
At 1 January 2019	288,972
Provision for impairment of inventories	42,991
Exchange difference	2,241
At 31 December 2019 and 1 January 2020	334,204
Reversal of provision for impairment of inventories	(56,372)
Exchange difference	(6,058)
At 31 December 2020	271,774

20 TRADE RECEIVABLES

	2020 EUR	2019 EUR
Trade receivables	9,103,242	9,521,079
Loss allowance	(355,918)	(395,219)
	8,747,324	9,125,860

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

As at 31 December 2020 and 2019, the ageing analysis of trade receivables, net of loss allowance made, based on invoice date, is as follows:

	2020 EUR	2019 EUR
1 to 30 days	3,752,420	2,968,837
31 to 60 days	1,996,397	2,486,630
61 to 90 days	1,447,812	1,360,585
More than 90 days	1,550,695	2,309,808
	8,747,324	9,125,860

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 2.10(iv) provides information about how impairment losses are calculated.

The carrying amounts of trade receivables approximated their fair values as at 31 December 2020 and 2019, and were denominated in the following currencies:

	2020 EUR	2019 EUR
US\$	2,005,442	1,895,181
GBP	–	100,313
EUR	6,683,527	6,842,855
RMB	48,444	287,511
HK\$	9,911	–
Total	8,747,324	9,125,860

As at 31 December 2020 and 2019, the Group had factored trade receivables of EUR4,991,715 and EUR5,151,472 respectively to banks for cash under certain receivables purchase agreements. As the Group 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 Company’s liabilities and included in borrowings as “Factoring loans” (Note 26).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 EUR	2019 EUR
Prepayments	1,169,681	430,044
Deposits	57,647	61,158
Other receivables		
– VAT receivables	67,036	15,398
– Others (Note)	866,962	906,148
	2,161,326	1,412,748
Less: non-current deposit	(37,817)	(41,132)
	2,123,509	1,371,616

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 2020 and 2019.

As at 31 December 2020 and 2019, the Group did not hold any collateral as security.

22 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 EUR	2019 EUR
Cash on hand	4,397	4,764
Cash at bank	5,323,411	2,476,892
Cash and cash equivalents	5,327,808	2,481,656
Pledged bank deposits – as collateral for bank facilities	1,237,657	2,332,735
	6,565,465	4,814,391
Maximum exposure to credit risk	6,561,068	4,809,627

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

	2020 EUR	2019 EUR
HK\$	393,642	777,541
US\$	4,246,467	2,451,469
RMB	2,652	17,641
EUR	1,891,027	1,527,687
Others	31,677	40,053
	6,565,465	4,814,391

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

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares EUR
Authorised:			
Ordinary share of HK\$0.01 each			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	4,000,000,000	40,000,000	4,315,579
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020 and 31 December 2020	400,000,000	4,000,000	417,819

(b) Reserves

	Merge reserve EUR (Note)	Share premium EUR	Other reserve EUR	Retained earnings/ (accumulated losses) EUR	Total EUR
Balance at 1 January 2019	4,386,123	3,557,226	262,325	855,196	9,060,870
Comprehensive loss:					
Loss for the year	–	–	–	(1,683,571)	(1,683,571)
Other comprehensive income/(loss):					
Currency translation difference	–	–	43,905	–	43,905
Remeasurement of defined benefit retirement plans, net of tax	–	–	(20,670)	–	(20,670)
Balance at 31 December 2019 and 1 January 2020	4,386,123	3,557,226	285,560	(828,375)	7,400,534
Comprehensive income:					
Profit for the year	–	–	–	514,375	514,375
Other comprehensive (loss)/income:					
Currency translation difference	–	–	(377,609)	–	(377,609)
Remeasurement of defined benefit retirement plans, net of tax	–	–	8,290	–	8,290
Balance at 31 December 2020	4,386,123	3,557,226	(83,759)	(314,000)	7,545,590

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

	2020 EUR	2019 EUR
Trade payables	6,260,640	3,924,968

At 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date were as follows:

	2020 EUR	2019 EUR
0-30 days	1,780,859	1,229,986
31-60 days	1,885,231	1,720,377
61-90 days	1,187,939	738,802
Over 90 days	1,406,611	235,803
	6,260,640	3,924,968

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

	2020 EUR	2019 EUR
US\$	6,237,965	3,671,299
RMB	22,675	253,669
	6,260,640	3,924,968

25 ACCRUALS, PROVISION AND OTHER PAYABLES

	2020 EUR	2019 EUR
Accruals for operating expenses	2,498,048	1,673,279
Accruals of sales rebate	707,659	557,055
License fee payable	3,616,306	3,554,458
Other payables	178,075	186,683
Provision for warranty	98,271	98,271
Provision for restructuring costs	-	153,598
Provision for litigation	9,343	-
	7,107,702	6,223,344
Less: non-current payable	(2,076,619)	(2,370,903)
Current portion	5,031,083	3,852,441

25 ACCRUALS, PROVISION AND OTHER PAYABLES *(Continued)*

Movements on the provision are as follows:

	Warranty EUR	Restructuring EUR
At 1 January 2019	149,635	–
Provision made	128,908	153,598
Amount utilised	(180,885)	–
Currency translation difference	613	–
At 31 December 2019 and 1 January 2020	98,271	153,598
Provision made	114,109	–
Amount utilised	(114,109)	(153,598)
At 31 December 2020	98,271	–

The carrying amounts of accruals and other payables approximated their fair values as at 31 December 2020 and 2019.

Restructuring costs provision mainly comprises employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

26 BORROWINGS

	2020 EUR	2019 EUR
Secured		
Factoring loans	4,991,715	5,151,472
Bank borrowings	1,377,089	4,265,915
	6,368,804	9,417,387

The Group has the following undrawn borrowing facilities:

	2020 EUR	2019 EUR
Bank borrowings	1,767,136	4,885,803

26 BORROWINGS *(Continued)*

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

	2020 EUR	2019 EUR
Pledged bank deposits	1,237,657	2,332,735
Trade receivables	4,991,715	5,151,472
Corporate guarantee (provided by Atlinks Holdings Limited)	4,520,148	4,950,000
	10,749,520	12,434,207

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:

	2020 EUR	2019 EUR
EUR	5,642,997	5,952,217
US\$	725,807	3,465,170
	6,368,804	9,417,387

The effective interest rates per annum of the Group's borrowings as at 31 December 2020 and 2019 were and 1.96% and 2.53% respectively.

The borrowings were repayable as follows:

	2020 EUR	2019 EUR
Within 1 year or repayable on demand	6,368,804	9,417,387

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

	2020 EUR	2019 EUR
Within 1 year	5,973,523	8,730,725
Between 1 and 2 years	351,409	444,948
Between 2 and 5 years	43,872	241,714
	6,368,804	9,417,387

27 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	2020 EUR	2019 EUR
Deferred income tax assets:		
– to be recovered after more than 12 months	992,749	1,355,069
– to be recovered within 12 months	21,151	9,110
	1,013,900	1,364,179
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(1,061)	(6,069)
– to be recovered within 12 months	(43,785)	(18,179)
	(44,846)	(24,248)
Deferred income tax assets, net	969,054	1,339,931

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

	EUR
At 1 January 2019	938,651
Charged to the consolidated income statement (Note 12)	405,362
Credited to other comprehensive income	(4,521)
Currency translation difference	439
At 31 December 2019 and 1 January 2020	1,339,931
Credited to the consolidated income statement (Note 12)	(377,478)
Charged to other comprehensive income	9,336
Currency translation difference	(2,735)
At 31 December 2020	969,054

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

The movements in deferred income tax assets and liabilities during the years ended 31 December 2020 and 2019, after taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax depreciation	Provision for product warranty	Fair value change of derivative financial instruments	Tax losses	Provision for retirement benefit	Unrealised currency difference on foreign currency	Lease	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1 January 2019	(564)	6,825	(5,530)	796,256	116,955	24,709	-	938,651
Charged/(credited) to the consolidated income statement	(3,682)	(6,926)	14,640	445,058	977	(42,888)	(1,817)	405,362
Credited to other comprehensive income	-	-	-	-	(4,521)	-	-	(4,521)
Currency translation differences	(4)	101	-	344	-	-	(2)	439
As at 31 December 2019 and 1 January 2020	(4,250)	-	9,110	1,241,658	113,411	(18,179)	(1,819)	1,339,931
Charged/(credited) to the consolidated income statement	3,353	-	12,041	(355,449)	(13,634)	(25,606)	1,817	(377,478)
Charged to other comprehensive income	-	-	-	-	9,336	-	-	9,336
Currency translation differences	(164)	-	-	(2,573)	-	-	2	(2,735)
As at 31 December 2020	(1,061)	-	21,151	883,636	109,113	(43,785)	-	969,054

As at 31 December 2020 and 2019, the Group had no material unrecognised deferred tax assets.

28 CASH FLOW INFORMATION**(a) Cash generated from operations**

	2020 EUR	2019 EUR
Profit/(loss) before income tax	877,163	(2,097,749)
Adjustments for:		
Depreciation of property, plant and equipment	261,556	319,187
Depreciation of right-of-use assets	249,048	219,763
(Reversal of)/loss allowance of trade receivables	(39,301)	280,362
(Reversal of)/provision for impairment of inventories	(56,372)	42,991
Amortisation of intangible assets	308,805	298,491
Loss on financial assets at fair value through profit or loss	43,003	52,284
Gain on disposal of property, plant and equipment	-	(2,405)
Provision for product warranty	114,109	128,908
Finance costs, net	410,826	477,910
Foreign exchange difference	(428,673)	-
Operating profit/(loss) before working capital changes	1,740,164	(280,258)
Changes in operating assets and liabilities:		
(Increase)/decrease in inventories	(499,089)	1,240,829
Decrease in trade receivables	250,039	385,936
Increase in prepayments, deposits and other receivables	(871,503)	(98,853)
Increase in trade payables	2,833,785	229,208
Increase/(decrease) in accruals, provisions and other payables	785,865	(1,170,306)
Increase/(decrease) in contract liabilities	115,095	(39,612)
Cash generated from operations	4,354,356	266,944

28 CASH FLOW INFORMATION *(Continued)***(b) In the consolidated statement of cash flow, proceeds from disposals of property, plant and equipment comprise:**

	2020 EUR	2019 EUR
Net book amount (Note 15)	–	–
Net gains on disposals of property, plant and equipment recognised in consolidated income statement:	–	2,405
Proceeds from disposals of property, plant and equipment	–	2,405
Proceeds from disposals of property, plant and equipment included in consolidated statement of cash flow: – Cash flows from investing activities	–	2,405
	–	2,405

(c) Significant non-cash transactions:

Purchase of office equipment of EUR203,484 for the year ended 31 December 2019 was made under finance lease arrangement (Note 15(b)).

28 CASH FLOW INFORMATION *(Continued)***(d) Reconciliation of liabilities arising from financing activities:**

	Borrowings EUR	Lease liabilities EUR	Pledged bank deposit EUR	Loans from related parties EUR	Total EUR
As at 1 January 2019	9,208,217	718,873	(2,038,442)	–	7,888,648
Proceeds from bank borrowings	40,281,108	–	–	–	40,281,108
Repayment of bank borrowings	(40,161,574)	–	–	–	(40,161,574)
Proceeds from loans from related parties	–	–	–	–	–
Interest paid	(468,766)	(17,266)	–	–	(486,032)
Principle elements of lease payments	–	(238,468)	–	–	(238,468)
Pledged bank deposit for bank loans	–	–	(266,258)	–	(266,258)
Non-cash items:					
Addition	–	203,484	–	–	203,484
Finance cost	468,766	17,266	–	–	486,032
Foreign exchange movement	89,636	13,758	(28,035)	–	75,359
As at 31 December 2019 and 1 January 2020	9,417,387	697,647	(2,332,735)	–	7,782,299
Proceeds from bank borrowings	26,982,345	–	–	–	26,982,345
Repayment of bank borrowings	(29,912,883)	–	–	–	(29,912,883)
Proceeds from loans from related parties	–	–	–	2,085,747	2,085,747
Interest paid	(319,136)	(13,855)	–	(69,310)	(402,301)
Principle elements of lease payments	–	(246,216)	–	–	(246,216)
Pledged bank deposit for bank loans	–	–	1,056,836	–	1,056,836
Non-cash items:					
Finance cost	319,136	13,855	–	76,663	409,654
Foreign exchange movement	(118,045)	(9,954)	38,242	(177,140)	(266,897)
As at 31 December 2020	6,368,804	441,477	(1,237,657)	1,915,960	7,488,584

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:

	2020	2019
Present value of unfunded obligation	325,889	341,241
Liability in the consolidated statement of financial position	325,889	341,241

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

	2020 EUR	2019 EUR
Current service cost	15,769	15,597
Benefit payments	(34,961)	–
Curtailement	–	(49,278)
Total expenses, included in employee benefit expenses (Note 9)	(19,192)	(33,681)
Interest expense	2,794	4,874
Total expenses, included in finance cost, net (Note 11)	2,794	4,874

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

	2020 EUR	2019 EUR
At the beginning of the year	341,241	353,900
Current service cost	15,769	15,597
Benefit payments	(34,961)	–
Curtailement	–	(49,278)
Interest expense	2,794	4,874
Remeasurement arising from experience adjustment and changes in actuarial assumptions	1,046	16,148
As at end of the year	325,889	341,241

29 RETIREMENT BENEFITS OBLIGATIONS *(Continued)*

The significant actuarial assumptions as follows:

	2020	2019
Discount rate	0.35%	0.80%
Inflation	1.70%	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
For the year ended 31 December 2020	
– If discount rate increases by 0.25%	Decrease by 2.60%
– If discount rate decreases by 0.25%	Increase by 2.70%
For the year ended 31 December 2019	
– If discount rate increases by 0.25%	Decrease by 2.70%
– If discount rate decreases by 0.25%	Increase by 2.80%

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 2020 and 2019, the Group did not have any significant contingent liabilities.

31 COMMITMENTS**(a) Capital commitments**

As at 31 December 2020 and 2019, the Group had no commitment for capital expenditure.

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 2020 and 2019.

Name of related party	Relationship with the Group
Dong Guan Kan Tsang Electroacoutis Technology Co., Ltd. ("Kan Tsang")	Controlled by Mr. Long Hak Kan (Chairman and non-executive director of the Group)
Mr. Tong Chi Hoi	Chief executive director of the Group
Ms. Chu Lam Fong	Spouse of Mr. Long Hak Kan (Chairman and Non-executive director of the Group)
Mr. Didier Paul Henri Goujard	Non-executive director 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 2020 and 2019:

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They are summarised as follows:

	2020 EUR	2019 EUR
Installation fee charged by a related party – Kan Tsang	–	55,070
Inspection fee charged by a related party – Kan Tsang	100,617	100,639
	100,617	155,709
	2020 EUR	2019 EUR
Interest expense on loans from related parties		
– Mr. Tong Chi Hoi	34,072	–
– Ms. Chu Lam Fong	34,072	–
– Mr. Didier Paul Henri Goujard	8,519	–
	76,663	–

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:

	2020 EUR	2019 EUR
Basic salaries, allowances and benefits	778,536	814,638
Discretionary bonuses	148,800	–
Defined contribution pension costs	84,475	78,594
Defined benefit pension costs	976	1,104
	1,012,787	894,336

(c) Balances with related parties

	2020 EUR	2019 EUR
Loans from related parties (Note (a))		
– Mr. Tong Chi Hoi	851,538	–
– Ms. Chu Lam Fong	851,538	–
– Mr. Didier Paul Henri Goujard	212,884	–
Inspection fee (prepaid)/payable to Kan Tsang (Note (b))	(35,732)	2,705
	1,880,228	2,705

Notes:

- (a) The loans from Mr. Tong Chi Hoi, Ms. Chu Lam Fong and Mr. Didier Paul Henri Goujard are unsecured, interest bearing at HIBOR+2.5% per annum, repayable on 20 February 2021 and dominated in HK\$. The loans will be reviewed quarterly for extension.
- (b) Prepayment/payable was presented in the consolidated statement of financial position within “prepayments, deposits and other receivables” (Note 21) or “accruals, provision and other payables” (Note 25). The payables bear no interest with repayment date due within one year.

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 was wholly owned by Ms. Chu Lam Fong. On 8 July 2020, Ms. Chu Lam Fong transferred her 49% shareholding in Talent Ocean Holdings Limited to Mr. Tong Chi Hoi. Talent Ocean Holdings Limited is owned as to 51% by Ms. Chu Lam Fong and 49% by Mr. Tong Chi Hoi.

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

	Note	2020 EUR	2019 EUR
ASSETS			
Non-current assets			
Investment in subsidiaries		4,290,627	4,290,627
Current assets			
Amount due from subsidiaries		2,228,156	1,555,424
Cash and cash equivalents		19,386	692,118
		2,247,542	2,247,542
Total assets		6,538,169	6,538,169
EQUITY			
Capital and reserves			
Share capital		417,819	417,819
Reserves	(a)	6,120,350	6,120,350
Total equity		6,538,169	6,538,169

Statement of financial position of the Company was approved by the Board of Directors on 15 March 2021 and was signed on its behalf

Tong Chi Hoi
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	Share premium EUR	Accumulated losses EUR	Total EUR
Balance at 1 January 2019	4,290,616	3,557,226	(3,265,195)	4,582,647
Total comprehensive income				
Profit for the year	–	–	1,537,703	1,537,703
Balance at 31 December 2019 and 1 January 2020	4,290,616	3,557,226	(1,727,492)	6,120,350
Total comprehensive income				
Profit for the year	–	–	–	–
Balance at 31 December 2020	4,290,616	3,557,226	(1,727,492)	6,120,350

35 DIVIDEND

No dividend has been paid or declared by the Company as at 31 December 2020 and 2019.

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 five 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				
	2020 EUR	2019 EUR	2018 EUR	2017 EUR	2016 EUR
Revenue	29,829,719	31,592,701	35,839,865	35,841,693	40,560,338
Gross profit	9,013,666	8,260,549	10,219,514	10,259,989	11,519,256
Operating profit/(loss)	1,287,990	(1,619,839)	(458,213)	(453,024)	2,175,334
Finance costs, net	(410,826)	(477,910)	(348,046)	(411,207)	(322,669)
Income tax (expense)/credit	(362,789)	408,173	67,340	(321,309)	(467,252)
Profit/(loss) for the year	514,375	(1,689,576)	(738,919)	(1,185,540)	1,385,413
Profit/(loss) for the year attributable to equity holders of the Company	514,375	(1,683,571)	(735,233)	(1,168,505)	1,403,042

	Year ended 31 December				
	2020 EUR	2019 EUR	2018 EUR	2017 EUR	2016 EUR
Non-current assets	5,676,355	6,152,314	5,364,286	4,834,905	5,664,149
Current assets	24,997,714	22,437,050	24,679,730	23,623,272	27,538,363
Total assets	30,674,069	28,589,364	30,044,016	28,458,177	33,202,512
Non-current liabilities	2,624,737	3,193,795	3,008,857	3,281,703	3,516,774
Current liabilities	20,085,923	17,534,779	17,511,596	18,969,979	21,604,762
Total liabilities	22,710,660	20,728,574	20,520,453	22,251,682	25,121,536
Total equity	7,963,409	7,860,790	9,523,563	6,206,495	8,080,976