

# ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8043

## SHARE OFFER

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



Co-manager



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## IMPORTANT

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If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

# ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

## LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

<b>Number of Offer Shares</b>	<b>: 100,000,000 Shares</b>
<b>Number of Public Offer Shares</b>	<b>: 10,000,000 Shares (subject to reallocation)</b>
<b>Number of Placing Shares</b>	<b>: 90,000,000 Shares (subject to reallocation)</b>
<b>Offer Price</b>	<b>: Not more than HK\$0.90 per Offer Share and expected to be not less than HK\$0.50 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)</b>
<b>Nominal value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock code</b>	<b>: 8043</b>

### Sole Sponsor



### Sole Bookrunner and Sole Lead Manager



### Co-manager

**東方證券(香港)有限公司**  
ORIENT SECURITIES (HONG KONG) LIMITED

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around 11 January 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree. If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse. The Offer Price will be not more than HK\$0.90 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered and/or reduce the indicative Offer Price range below that stated in this prospectus (being HK\$0.50 per Offer Share to HK\$0.90 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.atlinks.com](http://www.atlinks.com). For further information, please refer to the sections "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares".

Applicants applying for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.90 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than HK\$0.90 per Offer Share.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that pursuant to the termination provisions contained in the Public Offer Underwriting Agreement, the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with Regulation S of the U.S. Securities Act.

30 December 2017

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM listed issuers.

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of our Company ([www.atlinks.com](http://www.atlinks.com)).*

**Date**<sup>(Note 1)</sup>

Application lists of the Public Offer open<sup>(Note 2)</sup> .....11:45 a.m. on  
Thursday, 11 January 2018

Latest time for lodging **WHITE** and **YELLOW**  
Application Forms and giving **electronic**  
**application instructions** to HKSCC<sup>(Note 3)</sup> .....12:00 noon on  
Thursday, 11 January 2018

Application lists of the Public Offer close<sup>(Note 2)</sup> .....12:00 noon on  
Thursday, 11 January 2018

Expected Price Determination Date<sup>(Note 4)</sup> on or  
around .....Thursday, 11 January 2018

Announcement of the final Offer Price, the level  
of indication of interest in the Placing, the level  
of applications in the Public Offer, the basis of  
allocation of the Public Offer Shares to be published

- (i) on the Stock Exchange's website at  
[www.hkexnews.hk](http://www.hkexnews.hk) and
- (ii) on our Company's website at  
[www.atlinks.com](http://www.atlinks.com)<sup>(Note 5)</sup>  
on or before ..... Thursday, 18 January 2018

Results of allocations in the Public Offer (with  
successful applicants' identification document  
numbers, where applicable) to be available  
through a variety of channels as described in the  
section headed "How to apply for Public Offer Shares –  
10. Publication of results" in this prospectus from ..... Thursday, 18 January 2018

Results of allocations in the Public Offer will be  
available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a  
"search by ID" function from ..... Thursday, 18 January 2018

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## EXPECTED TIMETABLE

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Despatch/collection of share certificates or deposit  
of the share certificates into CCASS in respect  
of wholly or partially successful applications  
pursuant to the Public Offer on<sup>(Notes 6 and 8)</sup> . . . . . Thursday, 18 January 2018

Despatch/collection of refund cheques in respect of wholly or  
partially successful applications (if applicable) or wholly or  
partially unsuccessful applications pursuant to the Public Offer  
on<sup>(Notes 6 and 7)</sup> . . . . . Thursday, 18 January 2018

Dealings in the Shares on GEM expected  
to commence at 9:00 a.m. on . . . . . Friday, 19 January 2018

*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including its conditions of the Public Offer are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in the above expected timetable, an announcement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of our Company ([www.atlinks.com](http://www.atlinks.com)).
- (2) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 11 January 2018, the application lists will not open and close on that day. Further information is set out in “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists”. If the application lists do not open and close on Thursday, 11 January 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of our Company ([www.atlinks.com](http://www.atlinks.com)).
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS”.
- (4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Thursday, 11 January 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree. If, for any reason, the final Offer Price is not agreed on the Price Determination Date between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will lapse.
- (5) None of the information contained on any website forms part of this prospectus.
- (6) Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 January 2018 or any other date as notified by us.

Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for Public Offer Shares”.

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## EXPECTED TIMETABLE

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- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares”.
- (8) All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

The above expected timetable is a summary only. Further details of the structure of the Share Offer, including its conditions thereto, are set out in “Structure and Conditions of the Share Offer”. For further details about the procedures for application for the Public Offer Shares, please refer to the section headed “How to apply for Public Offer Shares” of this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. You should rely only on the information contained in this prospectus to make your investment decision.*

*Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer, have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.*

*The contents on the website at [www.atlinks.com](http://www.atlinks.com) which is the official website of our Company do not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this Prospectus. You should read this section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a home and office telecommunications product designing company and we sell our products through the telecom operators, large consumer retail chain stores and distributors mainly located in Europe and Latin America. According to the Frost & Sullivan Report, the Alcatel brand ranked third in terms of revenue for the year ended 31 December 2016 in the home telephone market segment in Europe. We derive our revenue principally from designing, developing and selling home and office telecommunications products under the trademarks bearing the word “Alcatel” (“**Licensed Marks**”) and other customer brand names for the European, Latin American and Asian markets. We sell the home and office telephone products that we design and develop. Based on market trends, products of our competitors and feedbacks from our existing customers, we would determine the rough specifications for new products including list of features, user interface, aesthetic and ergonomic design, in order to officially develop the products. We will then discuss with our customers regarding these new products and provide samples for their feedback. If the customers are interested, they will place orders with us. For certain customers who provide their specifications to us, we will modify or provide our existing products to sell to these customers. Our Group had been established since 2013 and our customers include large consumer retail chain stores, telecom operators and distributors mainly located in Europe and Latin America.

During the Track Record Period, we sold our products under the Licensed Marks or Swissvoice brand, or under the brand of our telecom operator or retail chain store customer. We have entered into an agreement with Alcatel Lucent for the usage of the Licensed Marks for sales of the Licensed Products globally which shall expire in 2027. During the Track Record Period, the sales for the Licensed Products accounted for approximately 80.2%, 84.4% and 86.4% of our total revenue, respectively. Furthermore, we have acquired the Swissvoice brand in November 2016 and began to develop new products which shall be sold under the Swissvoice brand. For further details regarding our License Agreement and acquisition of the Swissvoice brand, please refer to the section headed “Business” of this prospectus respectively.

## SUMMARY

The following is a breakdown of our revenue by product types and geographical locations of our customers during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue EUR'000	%	Revenue EUR'000	%	Revenue EUR'000	%	Revenue EUR'000	%
	(Unaudited)							
Home telephone	43,166	87.5	34,600	85.4	15,814	85.1	15,453	84.7
Office telephone	5,312	10.8	4,887	12.0	2,347	12.6	2,165	11.9
Others (Note)	857	1.7	1,073	2.6	424	2.3	618	3.4
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

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

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue EUR'000	%	Revenue EUR'000	%	Revenue EUR'000	%	Revenue EUR'000	%
	(Unaudited)							
France	21,746	44.1	21,223	52.3	10,215	55.0	8,797	48.2
Latin America (Note 2)	14,495	29.4	9,350	23.1	3,638	19.6	3,624	19.9
Other European countries (Note 3)	7,251	14.7	6,527	16.1	3,145	16.9	3,445	18.9
APAC/Russia/MEA (Note 4)	5,843	11.8	3,460	8.5	1,587	8.5	2,370	13.0
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

Notes:

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

## SUMMARY

The following is a breakdown of our revenue by types of customers during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
Retail chain store	16,049	32.5	16,693	41.2	7,667	41.3	6,641	36.4
Telecommunications operators	17,147	34.8	10,403	25.6	4,636	24.9	4,851	26.6
Others (Note)	16,139	32.7	13,464	33.2	6,282	33.8	6,744	37.0
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

Note: Others include distributor customers and other ad hoc customers.

The following table sets out the breakdown of the sales volume and average selling price per unit of each of our product category during the Track Record Period:

Revenue	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Sales Volume	Average selling price	Sales Volume	Average selling price	Sales Volume	Average selling price	Sales Volume	Average selling price
	Approximate '000 units	EUR (Note 1)	Approximate '000 units	EUR (Note 1)	Approximate '000 units	EUR (Note 1)	Approximate '000 units	EUR (Note 1)
Home telephones	2,986	14.5	2,426	14.3	1,101	14.4	1,156	13.4
Office telephones	360	14.8	336	14.5	166	14.1	140	15.5
Others (Note 2)	13	65.9	27	39.7	10	42.4	10	61.8

Notes:

- The average selling price represents the revenue for respective product categories for the respective financial year/period divided by the total sales volume for respective product categories for the respective financial year/period.
- Others include IP camera, IP baby monitor, smart home solutions and conferencing phones.

## SUMMARY

The following table sets out the breakdown of our gross profit and gross profit margin by each of our product category during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
	(Unaudited)							
Home telephones	11,030	25.6	9,776	28.3	4,373	27.7	4,101	26.5
Business telephones	1,559	29.3	1,489	30.5	729	31.1	609	28.1
Others (Note)	192	22.4	254	23.7	106	25.0	165	26.7
<b>Total</b>	<b>12,781</b>	<b>25.9</b>	<b>11,519</b>	<b>28.4</b>	<b>5,208</b>	<b>28.0</b>	<b>4,875</b>	<b>26.7</b>

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

The following table sets out the breakdown of our revenue, gross profit, and gross profit margin by products sold under each brand category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June					
	2015			2016			2016			2017		
	Gross profit			Gross profit			Gross profit			Gross profit		
	Revenue	Gross profit	margin	Revenue	Gross profit	margin	Revenue	Gross profit	margin	Revenue	Gross profit	margin
	EUR'000	EUR'000	%	EUR'000	EUR'000	%	EUR'000	EUR'000	%	EUR'000	EUR'000	%
	(Unaudited)											
Licensed Products	39,567	10,220	25.8	34,233	9,623	28.1	16,058	4,493	28.0	15,769	4,109	26.1
Products sold under the Swissvoice brand (Note 1)	-	-	-	-	-	-	-	-	-	85	73	85.4
Others (Note 2)	9,768	2,561	26.2	6,327	1,896	30.0	2,527	715	28.3	2,382	693	29.1

Notes:

- The reason of having high gross profit margin from Swissvoice brand for the six months ended 30 June 2017 (as compared to Licensed Products and others) is mainly due to the fact that we acquired the Swissvoice brand as well as its assets including inventory of finished products in November 2016 with a relatively lower purchase costs for inventory of finished products as compared to the products under the Licensed Marks or other customer brand names. Accordingly, higher gross profit margin resulted in Swissvoice brand.
- Others include products under the brands of our telecom operators or large consumer retail chain store customers.

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## SUMMARY

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For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our revenue for elderly telecommunications products amounted to approximately EUR5.1 million, EUR4.8 million, and EUR2.3 million, our gross profit amounted to approximately EUR1.6 million, EUR1.4 million, and EUR0.7 million, and our gross profit margin was approximately 30.6%, 30.0% and 28.3%, respectively. During the Track Record Period, the gross profit margin for elderly telecommunications products was higher than that for home telephone products.

The following table sets out the summary of our Group's cost structure during the Track Record Period:

	Year ended 31 December				Year ended 30 June			
	2015		2016		2016		2017	
	Cost	% of total	Cost	% of total	Cost	% of total	Cost	% of total
	EUR'000	cost	EUR'000	cost	EUR'000	cost	EUR'000	cost
	(Unaudited)							
Cost of sales	36,554	76.7	29,041	74.4	13,377	72.1	13,361	71.4
Selling and distribution expenses	3,961	8.3	3,241	8.3	1,738	9.4	1,453	7.8
Administrative expenses								
– Legal and professional fee for listing preparation	–	–	–	–	–	–	490	2.6
– Others	6,826	14.3	6,423	16.5	3,286	17.7	3,200	17.1
Finance costs	337	0.7	324	0.8	152	0.8	202	1.1
<b>Total costs</b>	<b>47,678</b>	<b>100.0</b>	<b>39,029</b>	<b>100.0</b>	<b>18,553</b>	<b>100.0</b>	<b>18,706</b>	<b>100.0</b>

During the Track Record Period, the main factor affecting our total cost of sales was cost of inventories, which contributed over 97.0% of the total cost of sales of our Group. Our cost of inventories decreased by approximately 20.6% from approximately EUR35.9 million for the year ended 31 December 2015 to approximately EUR28.5 million for the year ended 31 December 2016. Such decrease was generally in line with the overall decrease in our revenue by approximately 17.8% in 2016 as compared to 2015.

Our selling and distribution expenses decreased by approximately EUR0.8 million or 18.2% from approximately EUR4.0 million for the year ended 31 December 2015 to approximately EUR3.2 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in the freight and transportation fees, provision for product warranty and commission fee in 2016, which was generally in line with our decrease in sales by approximately 17.8% in 2016 as compared to 2015. Our selling and distribution expenses decreased from approximately EUR1.7 million for the six months ended 30 June 2016 to approximately EUR1.5 million for the six months ended 30 June 2017, which was mainly due to the decrease in the advertising and marketing fee of approximately EUR0.1 million.

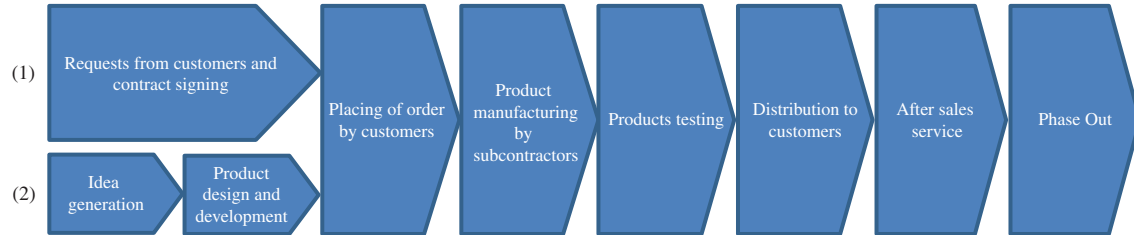
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## SUMMARY

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### BUSINESS MODEL

The following diagrams illustrate our two major business models of our design, development and sales of our telecommunications products and smart home products:



Customers would send us their requirements on the products they may order from us. We would either provide or modify our existing products to match their requirements whilst customers give us their feedback. We would then provide our customers with price quotation and specifications of the products. As we do not manufacture the product ourselves, we will engage independent subcontractors to manufacture our products. During the manufacturing phase, we will continuously test and inspect the products before we accept the goods. Once we have accepted the goods, we negotiate the contractual terms of the purchase orders with our customers and once we reach an agreement, we arrange delivery of the products to our customers. We also provide after-sales and hotline services, including but not limited to technical support and product warranties to our customers. Finally, we would phase out our products from time to time.

We also generate and evaluate ideas for new product designs or improved product features after considering market trends, the product of our competitors and feedbacks from existing customers. Subject to our internal approval process, we will then proceed to the manufacturing stage. For further details about our business models, please refer to the section headed “Business – our business model” in this prospectus.

### CUSTOMERS AND SUPPLIERS

To the best of our Directors’ knowledge, most of our customers include large consumer retail chain stores, telecom operators and distributors in Europe and Latin America. The revenue attributed to our largest customer amounted to approximately 11.2%, 10.6%, and 14.3% of our total revenue for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively. The revenue attributed to our five largest customers amounted to approximately 40.9%, 39.8% and 39.5% of our total revenue for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively. For further details regarding our customers, please refer to the section headed “Business – Customers” of this prospectus.

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, we have generated 13.2%, 16.8% and 20.2% of our total revenue from sales of our products to distributor customers, respectively. We have a seller/buyer relationship with our

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## SUMMARY

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distributor customers. We recognise our revenue when our products are delivered to these distributor customers and we do not allow for product return and refund except for quality issues. We generally do not grant any geographic or other exclusivity to any distributor customer but we generally will not engage more than one distributor customer in the same area out of good faith and as such we believe it is unnecessary to implement any other measures to avoid cannibalisation and competition among our distributor customers. For further details regarding our distributor customers, please refer to the section headed “Business – Distributor Customers” of this prospectus.

Most of our suppliers are electronics manufacturers and suppliers in Hong Kong with factories in the PRC. Although we outsource the production of our products to a few manufacturing subcontractors during the Track Record Period, 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. We believe the design capability is our core and our strategy to outsource the mass production of our products to manufacturing subcontractors optimises our strength of design and development and maximises our return. During the Track Record Period, the purchase from our largest supplier amounted to approximately 53.4%, 61.5% and 59.7% of our total purchases for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively, while the purchase from our five largest suppliers amounted to approximately 97.4%, 99.2% and 97.1% respectively of the total purchases for each relevant period, respectively. For further details regarding our suppliers and manufacturing subcontractors, please refer to the section headed “Business – Suppliers” and “Business – Outsourcing and Production Management” in this prospectus.

### **OUR BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS**

During the Track Record Period, we sold our products, namely home and/or office telephones, to certain Countries subject to International Sanctions, including Cuba, Egypt, Ivory Coast, Lebanon, Russia, Tunisia, Ukraine and Zimbabwe. In particular, Cuba is subject to very comprehensive economic sanctions. Our revenue derived from sales to these countries amounted to approximately EUR1.1 million, EUR1.2 million and EUR0.4 million, respectively, representing approximately 2.3%, 2.9% and 2.3% of our total revenue, respectively, during the Track Record Period. In relation to our sales to customers in Countries subject to International Sanctions during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the European Union, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales did not involve industries or sectors that are currently subject to specific sanctions by the U.S., the European Union, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group’s investors, our Shareholders, the Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC or HKSCC nominees to risk of being

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sanctioned. We are advised by our International Sanctions Legal Advisers that, among other things, the sanction risk exposure to our Group for our activities during the Track Record Period is very low. Please refer to the section headed “Business – Business Activities in Countries subject to International Sanctions” in this prospectus for details of our business activities in connection with those countries.

### PRICING POLICY

We generally set our product price with reference to our competitors’ product price, market competition, production cost including outsourcing manufacturing costs and complexity of product design and features along with the strategic value of the customer, their credit record and whether products of similar features are available on the market. We will also set a minimum selling price for each of our products based on a minimum profit margin we target for each product. For further details, please refer to the section headed “Business – Pricing Policy” of this prospectus.

### INDUSTRY AND MARKET

Our Directors believe that the home and business phone market in Europe is concentrated and dominated by a few brands. According to the F&S Report, it is estimated that there are more than 200 active market players in the European home and business phone market. We ranked third in the home telephone segment in Europe with a market share of approximately 9.1% while the Alcatel brand has a market share of approximately 2.0% in the home and business phone market in Europe in 2016. In addition, according to the F&S Report, the price of home and office telephone in Europe and Latin America have been experiencing a declining trend from 2012 to 2016 and such decline is expected to continue going forward from 2017 to 2021. For further details, please refer to the section headed “Industry Overview” of this prospectus.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and growth since the establishment of our Group:

- Leading market position in the home telephone market
- Established relationship with our major customers and suppliers
- Wide product distribution network across the globe
- Established brand name of the Alcatel brand
- Commitment to environment, health and safety through our integrated management systems
- Experienced management team with extensive industry experience



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## SUMMARY

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- Product management and design capabilities to cater for technology development trends and customers' needs
- Proven track record on product quality and delivery

For further details, please refer to the section headed “Business – Our Competitive Strengths” of this prospectus.

### **BUSINESS STRATEGIES**

We believe that the following strategies are able to allow us to achieve sustainable growth in the telecommunications products industry:

- strengthen our product management capabilities
- expansion of our product range including developing telecommunications products targeted at the elderly market as well as the visually and hearing impaired and also providing ancillary services to our telecommunications products
- developing and further strengthening of the Swissvoice brand
- broaden our customer base and further diversify in European markets
- establishment of strategic partnerships with design houses and manufacturing subcontractors to improve our research and design capabilities

For further details, please refer to the section headed “Business – Our Business Strategies” of this prospectus.

### **RISK FACTORS**

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- We rely on the Alcatel brand to manufacture products for the majority of our sales
- We do not have long term purchase commitments from our five largest customers
- We are dependent on our major suppliers for the manufacturing of our products
- We rely on our distributors to distribute our products
- We have significant exposure on the French and Latin American markets

The above risks are not the only significant risks and you should read the section headed “Risk Factors” in this prospectus carefully.

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### RELIANCE ON ALCATEL BRAND

During the Track Record Period, the sales for the Licensed Products under the Alcatel brand were approximately EUR39.6 million, EUR34.2 million and EUR15.8 million, which accounted for approximately 80.2%, 84.4%, and 86.4% of our total revenue respectively.

In addition, the gross profits of the Licensed Products under the Alcatel brand were approximately EUR10.2 million, EUR9.6 million and EUR4.1 million with a gross profit margin of approximately 25.8%, 28.1%, and 26.1% during the two years ended 31 December 2016 and the six months ended 30 June 2017 respectively.

Our Directors consider that our high reliance on the Alcatel brand during the Track Record Period is mainly due to the entering into the License Agreement with Alcatel Lucent, which shall expire in 2027, to exclusively develop the Licensed Products, as an initial foundation to develop the business of our Group in the telecommunications products industry in Europe which, according to the F&S Report, is dominated by a few major players in 2016. Our Directors believe that by leveraging on the established brand image of the Alcatel brand, our Group would be able to enter the telecommunications products industry with a strong foundation instead of developing an entirely new brand initially when establishing our Group. However, our Directors believe that there is mutual reliance between Alcatel Lucent and our Group, as Alcatel Lucent also relies on us to design and sell the Licensed Products under their Licensed Marks since they have granted us the exclusive long term license to sell the Licensed Products globally until 2027. Our Directors believe that as our Group possess the relevant experienced management team, connections with manufacturing subcontractors, and connections with major customers which include large consumer retail chain stores, telecom operators and distributors mainly in Europe and Latin America, there is mutual reliance between us and Alcatel Lucent. However, in order to reduce reliance by us on the Alcatel brand going forward, we have began to develop our telecommunications products, including elderly telecommunications products, under the Swissvoice brand acquired by us in 2016.

In addition to the Alcatel brand, during the Track Record Period, we also design, develop and sell home and office telecommunications products under the Swissvoice brand as well as other customer brand names for the European, Latin American and Asian markets. Our Directors believe that our reliance on the Licensed Marks was not extreme during the Track Record Period as we were also able to sell our telecommunications products under other brands including the brands of our telecom operator and retail chain store customers, and also our newly acquired Swissvoice brand in 2016.

Furthermore, since the term of the License Agreement with Alcatel Lucent will expire in 2027, our Directors believe that we have secured a stable term of approximately 10 years to continue to sell our Licensed Products under the Licensed Marks, while we can continue to gradually expand and develop our products under the Swissvoice brand. We have entered into an agreement to acquire the Swissvoice brand in November 2016 and one of our business strategies moving forward is to increase our marketing on the development of our Swissvoice brand and further strengthen our products portfolio by developing elderly telecommunications

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products and services under the Swissvoice brand in order to diversify our brand image and focus on our own brand development. Furthermore, the categories of telecommunications products under the Licensed Products only covers a certain range of products under the License Agreement, therefore we shall have more flexibility to develop other types of telecommunications products and smart home products in the future under the Swissvoice brand.

Our Group shall take steps to reduce the level of reliance on the Alcatel brand going forward. We target to increase marketing and developing of our products under the Swissvoice brand in addition to our sales of the Licensed Products, and we shall focus on development of elderly telecommunications products under the Swissvoice brand in order to diversify our product portfolio gradually to decrease the proportion of our revenue generated from the sales of Licensed Products under the Licensed Marks. Furthermore, we shall also target to develop our own software as we believe by doing so, we would be able to develop smart home products and elderly telecommunications products more efficiently and expand our market segment in this area. The software to be developed by our Group or third-party software developers may diversify and expand our product range, and we would be able to offer a variety of home telephones, office telephones, elderly telecommunications products, and smart home products with different features and functions tailored to different customers. These new elderly and smart home products may be sold under our Swissvoice brand and by doing so, we shall continue to gradually reduce our reliance on the Alcatel brand. Also, our Swissvoice brand is targeted at the elderly market as well as visually and hearing impaired, while the Licensed Products is targeted at a more general market. Furthermore, our Group expects that four new elderly telecommunications products will be launched in 2018. Our Directors believe that by positioning the two brands in different markets and customer group, our Group would be able to expand our market share and diversify our customer base, which in turn may increase our Swissvoice brand revenue income and as a result reduce the proportion of revenue derived from the sales of the Licensed Products, and ultimately lead to a reduction in reliance on the Alcatel brand.

As such, we believe that the Group's reliance on the Licensed Marks during the Track Record Period was not and is not expected to become extreme and will not render the Company unsuitable for the Listing. Our Group shall continue to diversify our brand which our Directors believe will be able to rely less on the Licensed Marks in the future and continue the development on our Swissvoice brand.

### **BUSINESS PROSPECT OF THE GROUP**

During the Track Record Period, (i) sales generated from home telephone was approximately EUR43.2 million, EUR34.6 million and EUR15.5 million, accounting for approximately 87.5%, 85.4% and 84.7% of the total sales of our Group, and the average selling price of home telephones was approximately EUR14.5, EUR14.3 and EUR13.4, respectively; and (ii) sales generated from the office telephone was approximately EUR5.3 million, EUR4.9 million and EUR2.2 million, accounting for approximately 10.8%, 12.0% and 11.9% of the total sales of our Group, and the average selling price of office telephones was approximately

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EUR14.8, EUR14.5 and EUR15.5, respectively. According to the Frost & Sullivan Report, the market size of home telephones and office telephones in Europe by sales value had a respective CAGR of approximately -4.2% and 8.7% during the period from 2012 to 2016 and it is expected that a respective CAGR of -9.1% and 3.1% during the period from 2017 to 2021. According to the Frost & Sullivan Report, the market size of home telephones and office telephones in Latin America by sales value had a respective CAGR of approximately -15.2% and -5.3% during the period from 2012 to 2016 and it is expected that a respective CAGR of -4.7% and 2.3% during the period of 2017 to 2021. Based on the above, our Group does not expect the home and office telephone markets in Europe and Latin America to experience significant growths going forward. Despite the aforesaid, our Directors are of the view that the Group's focus on home telephone markets still has potential with the following basis:

- According to the Frost & Sullivan Report, the Alcatel brand ranked third in terms of revenue for the year ended 31 December 2016 in the home telephone market segment in Europe, and the market is concentrated and dominated by a few large brands. During the Track Record Period, there is no abrupt change in the landscape of market competition and the key players continued to dominate the home telephone segment in Europe. Given the home telephone market is at maturity stage and shrinking demand, a majority of the market share is dominated by the major players and given that the home telephone market is on a decreasing trend, our Directors believe that the large telecom network equipment players do not pay much attention to the home and office telephone markets and that new entrants to the market may be more reluctant to enter into the market having considered that (i) the new market entrants may have to invest in making toolings and mouldings, and also establishing the distribution and sales network channels which may involve a substantial amount of capital over a period of time; and (ii) as disclosed in "Business Prospect of the Group" in this section, telecom operators or large consumer retail chain stores may have their stringent internal procedures before accepting a new supplier on their approved list and thus intend to keep the existing suppliers if they are able to continually meet their internal requirements to ensure consistency of products. During the Track Record Period, according to the F&S Report, the Alcatel brand increased its market share from 8.9% in 2015 to 9.1% in 2016 and further increased to 10.9% in the first half of 2017 in home telephone market segment in Europe by revenue. Our Directors believe that the increase in market share of Alcatel brand is mainly due to (a) our increasing focus on sales to large retail chain store customers; (b) improvement in the pricing strategy implemented by our Group during the Track Record Period; (c) improvement in our product design which leads to better product quality; (d) our implementation of strategy to focus different types of products in different distribution channels which allows us to price each product more precisely and flexibly; and (e) the fact that our Group is not a large corporation compared to certain of our competitors, which allows us to react faster and more flexibly to market trends.
- According to F&S Report, there were over 900 million fixed line subscribers globally in 2016, of which there were (i) approximately 240 million and 237 million

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## SUMMARY

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fixed line subscribers in Europe in 2015 and 2016, respectively; and (ii) approximately 248 million and 243 million fixed line subscribers in the Americas in 2015 and 2016, respectively. Our Directors believe that demand for home telephone market will remain relatively the same going forward, despite the fixed phone markets in Europe and the Americas decreased gently.

- Under the License Agreement, our Group is restricted to develop Licensed Products only. After the acquisition of the Swissvoice brand by our Group in November 2016, our Group has more flexibility in developing products which allows us to complement and enrich the product portfolio of our Group targeting at different market segments. The Licensed Products are currently targeted at the general market mainly sold through the large retail chain stores and telecom operators while the products under the Swissvoice brand will be targeted at elderly market as well as consumers with disability such as visually or hearing impaired mainly sold through the specialised distribution channels.
- The major customers of our Group are large consumer retail chain stores, telecom operators and distributors in Europe and Latin America, and we have over four years of business with our five largest customers for the Track Record Period. We directly distribute our products to our major customers. Generally, in order to become an approved supplier of these large consumer retail chain stores and telecom operators, we have to pass through their internal procedures, such as meeting social commitment, environment commitment, obtaining Corporate Social Responsibility (CSR) certification etc., which might take a certain period of time, in which our Directors believe that it is an entry barrier to new entrants. Please refer to the paragraph headed “Certification and Awards” in the “Business” section.
- According to the Frost & Sullivan Report, market size of elderly telecommunications products will grow at a CAGR of approximately 25.1% during 2017 to 2021. Our Group has been selling elderly telecommunications products during the Track Record Period and our Directors believe that our Group has gained relevant experience in this market segment. One of the future strategies of our Group is to expand the product range to include telecommunications products targeting at the elderly market as well as the visually and hearing impaired. Taking into account of the above, approximately 23.0% of net proceeds from the Share Offer will be allocated on developing elderly telecommunications products. Elderly telecommunications products include wireless door bells, wireless motion detectors, bracelet with emergency buttons, which connect to the home telephones and the applications running on smartphones which are developed by third party software developers to send notifications to the default contact persons. Our Directors believe that the demand for elderly telecommunications products will be the growth driver of the home telephone sales and will also improve the sales of its peripherals. According to Frost & Sullivan Report, sales of elderly telecommunications products in Europe was approximately US\$15.5 million and US\$20.3 million, accounting for approximately 3.7% and 5.5% of the home telephones sales in Europe in 2015 and

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2016, respectively. It is expected that sales of elderly telecommunications products in Europe will increase from US\$26.5 million in 2017 to US\$64.8 million in 2021, representing approximately 7.5% and 27.0% of the home telephones sales in Europe. Our Directors believe that such elderly telecommunications product market is profitable and will complement the decreasing sales in the home telephone markets of our Group.

- From time to time, our sales and marketing team will have meetings with the major customers and understand their feedback and their future needs. Based on the meetings between us and our major customers, some of the major customers have expressed their interests in our elderly telecommunications products. For example, Customer B has placed orders for such elderly telecommunications products which are to be delivered by us to Customer B in first quarter of 2018.
- According to the Frost & Sullivan Report, business phones will have a CAGR of approximately 3.1% and 2.3% in Europe and Latin America during 2017 to 2021, respectively, mainly driven by SIP phones. In view of the increase in connectivity of office telephones and potential in such market, our Group plans to apply approximately 12.4% of net proceeds from the Share Offer to develop office telephone products, mainly for SIP software and tooling for VoIP telephones.

Based on the above, going forward, our Group plans to focus on diversifying our brands with the addition of the Swissvoice brand, developing new elderly telecommunications products and smart home products to increase its market share in these markets. Our Group will take the following steps to implement its focus in these products and markets including (a) strengthening our product management and design capabilities by expanding our product management and design team; (b) focusing on development of our new elderly telecommunications products such as products for the visually and hearing impaired and allocating a significant portion of the proceeds to achieve such plan; (c) strengthening our Swissvoice brand by developing such new elderly telecommunications products under the Swissvoice brand; and (d) focusing on development of software development which may also help us develop new smart home products.

### LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period, we were involved in a legal dispute with a claimant in France regarding outstanding rental payment for computer equipment for a sum of EUR136,368. As at the Latest Practicable Date, the legal dispute is still pending before the courts of France. During the Track Record Period, we were also involved in various employee layoff dispute cases by which the courts of France had ordered a sum to be paid by the former employer and our Group to the employees. As at the Latest Practicable Date, a sum of EUR151,835 had been paid by the former employer and we are in negotiation with the former employer to determine the portion of that sum to be borne by us. For further details regarding the two cases, please refer to the section headed “Business – Legal Proceedings” in this prospectus.

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### LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that we had no material non-compliance that would affect our Group's operations and financial position during the Track Record Period and up to the Latest Practicable Date.

### CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer, Eiffel Global will hold 300,000,000 Shares (representing 75% of the issued share capital of our Company). Eiffel Global is held as to approximately 75.0%, 11.8%, 9.7%, and 3.5% by TOHL, AIL, Mr. Duc and Ms. Ho respectively. TOHL is wholly-owned by Ms. Chu while AIL is wholly-owned by Mr. Goujard. Although AIL, Mr. Duc and Ms. Ho do not hold more than 50% interest in Eiffel Global, each of them along with TOHL have decided to restrict their ability to exercise direct control over our Company by holding their interests through Eiffel Global. As such, each of TOHL, AIL, Mr. Duc and Ms. Ho will be presumed as a group of Controlling Shareholders of our Company under the GEM Listing Rules. Pursuant to the GEM Listing Rules, each of Eiffel Global, TOHL, AIL, Ms. Chu, Mr. Goujard, Mr. Duc and Ms. Ho will be considered as Controlling Shareholders. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

### CONTROLLING SHAREHOLDERS' LONG-TERM COMMITMENT TO OUR GROUP

Each of our Controlling Shareholders individually as well as collectively as a group of Controlling Shareholders of our Company under the GEM Listing Rules, has voluntarily undertaken to the Sponsor and the Underwriters that for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A of GEM Listing Rules expires, he/she/it shall remain as a Controlling Shareholder. For details, please refer to the section headed "Underwriting – Lock-up undertakings".

### SUMMARY FINANCIAL AND OPERATING INFORMATION

Our combined financial information has been prepared in accordance with HKFRSs. The following table presents the results of operations of our Group during the Track Record Period, which are derived from the combined income statements as set out in the Accountant's Report in Appendix I to this prospectus.

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## SUMMARY

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### COMBINED INCOME STATEMENTS

	Year ended 31 December		Six months ended 30 June	
	2015 <i>EUR'000</i>	2016 <i>EUR'000</i>	2016 <i>EUR'000</i>	2017 <i>EUR'000</i>
Revenue	49,335	40,560	18,585	18,236
Profit/(loss) before income tax	1,685	1,852	415	(501)
Profit/(loss) for the year/period attributable to:			(Unaudited)	
Owners of our Company	1,347	1,403	339	(330)
Non-controlling interests	–	(18)	–	(17)

We generate a notable portion of our Group's revenue and receivables as well as our cost of inventories and payables denominated in US dollars. As the fluctuation of US dollars against Euros will impact our Group operation, in order to manage our foreign exchange risk exposure of our Group, in particular the fluctuation in the currency exchange rate between USD and Euros, we entered into foreign exchange currency forward contracts with one of our principal banks which we recognised fair value loss of approximately EUR0.6 million and EUR0.6 million for the year ended 31 December 2015 and the six months ended 30 June 2017, respectively, due to the higher forward contract rate of US dollars against Euros as compared to the spot rate as at the period end. On the other hand, we recognised fair value gain of approximately EUR0.3 million and EUR0.3 million for the year ended 31 December 2016 and the six months ended 30 June 2016, respectively, due to the lower forward contract rate of US dollars against Euros as compared to the spot rate as at the period end.

### SUMMARY COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		As at 30 June
	2015 <i>EUR'000</i>	2016 <i>EUR'000</i>	2017 <i>EUR'000</i>
Non-current assets	4,766	5,664	5,491
Current assets	26,899	27,538	21,711
Current liabilities	21,478	21,605	16,403
Net current assets	5,421	5,934	5,308
Total equity	6,452	8,081	7,409



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### SUMMARY COMBINED STATEMENTS OF CASH FLOWS

	Year ended		Six months ended	
	31 December		30 June	
	2015	2016	2016	2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
	(unaudited)			
Operating cash flow before movements				
in working capital	3,416	2,244	553	486
Net cash flows generated/(used in) from				
operating activities	166	2,280	1,438	(1,148)
Net cash flows used in investing				
activities	(185)	(1,425)	(67)	(7)
Net cash flows used in financing				
activities	(1,298)	(513)	(2,752)	(1,792)
Net (decrease)/increase in cash				
and cash equivalents	(1,317)	342	(1,381)	(2,947)

For the six months ended 30 June 2017, our Group recorded a net cash used in operating activities of approximately EUR1.1 million as compared to net cash inflow of approximately EUR1.4 million for the six months ended 30 June 2016 which was primarily reflected from our loss before tax of approximately EUR0.5 million, as positively adjusted by (i) the decrease in inventories of approximately EUR1.1 million as a result of the shipment of finished goods to customers before the period-end date; and (ii) the decrease in trade receivables of approximately EUR0.7 million mainly due to the decrease in sales in France. Such effect was partially offset with the decrease in trade payables of approximately EUR2.4 million as a result of the decrease in purchase and settlement of trade payables during the six months ended 30 June 2017.

### KEY FINANCIAL RATIOS

	As at/Year ended		As at/
	31 December		Six months
	2015	2016	ended
			30 June
			2017
Gross margin	25.9%	28.4%	26.7%
Net profit margin	2.7%	3.4%	(1.9)%
Current ratio	1.3 times	1.3 times	1.3 times
Gearing ratio <i>(Note 1)</i>	106.0%	108.3%	95.3%
Interest coverage ratio <i>(Note 2)</i>	12.9 times	14.3 times	N/A
Return on total assets ratio <i>(Note 2)</i>	4.3%	4.2%	N/A
Return on equity ratio <i>(Note 2)</i>	20.9%	17.5%	N/A

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*Notes:*

1. Gearing ratio is calculated based on the total debt at the end of the financial year/period divided by total equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%.
2. Interest coverage ratio, return on total assets ratio and return on equity ratio are not applicable due to loss making during the six months ended 30 June 2017, which was mainly attributable to the Listing expenses of approximately HK\$4.1 million incurred.

### RECENT DEVELOPMENTS

Our business operation remained stable after the Track Record Period. We did not experience any significant drop in revenue or a sharp increase in cost of operation up to 30 November 2017 as there was no change to our general business model after the Track Record Period. Based on the unaudited financial information of our Group, our revenue for the eleven months ended 30 November 2017 was lower than that for the corresponding period in 2016, which was mainly attributable to the decrease in sales in Latin America mainly caused by massive earthquakes occurred in Mexico in September 2017 as compared to the same period in 2016. Our gross profit margin for the eleven months ended 30 November 2017 was comparable to that of the corresponding period in 2016. We recorded a loss before taxation for the eleven months ended 30 November 2017 mainly due to the expenses incurred for the Listing. Without taking into account of such non-recurring Listing expenses, we would have recorded a profit before taxation for the eleven months ended 30 November 2017 at a relatively lower level as compared to that for the corresponding period in 2016 due to expected loss on fair value changes on derivative financial instruments.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be materially affected by the estimated non-recurring expenses in relation to the Listing and we may even record a loss for the year ending 31 December 2017. Such Listing expenses are a current estimate for reference only and the final amount to be charged to profit and loss account of our Group for the year ending 31 December 2017 and the amount to be deducted from our Group's capital is subject to change.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospect since 30 June 2017, being the date to which our latest audited financial information was prepared, and there had been no event since 30 June 2017 which would materially and adversely affect the information shown in our combined financial information included in the Accountant's Report.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Share Offer. Based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share sets out in this prospectus, we estimate that our Listing expenses will be approximately HK\$24.6 million, of which (i) approximately HK\$9.2 million

## SUMMARY

is directly attributable to the issue of Offer Shares and will be capitalised and deducted from equity upon Listing; and (ii) approximately HK\$15.4 million is expected to be recognised as expenses in the combined statements of profit or loss and other comprehensive income, of which approximately HK\$4.1 million had been recognised for the six months ended 30 June 2017 and the remaining of approximately HK\$11.3 million is expected to be recognised for the remaining period of the year ending 31 December 2017 and 2018.

### FUTURE PLANS AND USE OF PROCEEDS

On the basis that the Offer Price is HK\$0.70 (being the mid-point of the indicative Offer Price range of HK\$0.50 to HK\$0.90) per Offer Share, our Directors estimate that the net proceeds to be received by us from the Share Offer (after deducting underwriting fees, brokerage and the estimated Listing expenses in connection with the Share Offer) will be approximately HK\$45.4 million. Our Directors presently intend that the net proceeds payable to us from the Share Offer will be applied for the period from the Latest Practicable Date to 31 December 2019 as illustrated in the following table:

	From the Latest Practicable Date to 30 June 2018 <i>HK\$'000</i>	For the six months ending 31 December 2018 <i>HK\$'000</i>	For the six months ending 30 June 2019 <i>HK\$'000</i>	For the six months ending 31 December 2019 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate percentage of net proceeds from the Share Offer %
Developing our office telephone products	1,650	3,975	–	–	5,625	12.4
Developing our elderly telecommunications products	6,694	–	3,721	–	10,415	23.0
Strengthening and enhancing our sales channels	1,520	3,050	1,350	1,300	7,220	15.9
Expanding our staff team	800	800	5,000	5,000	11,600	25.6
Developing our other products including IP cameras and smart home products	–	–	630	2,000	2,630	5.8
Expanding our geographical coverage	–	–	2,900	2,900	5,800	12.8
General working capital	2,080	–	–	–	2,080	4.5
					45,370	100.0

### DIVIDEND AND DISTRIBUTABLE RESERVES

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, our Group paid a dividend in an amount of approximately EUR1.0 million, EUR1.0 million and nil, respectively. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. We do not have any fixed dividend policy. Any

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## SUMMARY

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declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law. Dividends may be paid out of our Company's distributable profits as permitted under the relevant laws. For further information regarding our dividend policy, please refer to the section headed "Financial information – Dividend" of this prospectus.

### SHARE OFFER STATISTICS

	<b>Based on the Offer Price of</b>	
	<b>HK\$0.50 per Offer Share</b>	<b>HK\$0.90 per Offer Share</b>
Market capitalisation <sup>(Note)</sup>	HK\$200 million	HK\$360 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note)</sup>	EUR0.02 (equivalent to HK\$0.15)	EUR0.03 (equivalent to HK\$0.25)

*Note:* See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

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## DEFINITIONS

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*In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.*

“Accountant’s Report”	the accountant’s report set out in Appendix I to this prospectus
“Adoption Date”	21 December 2017 (the date on which the Share Option Scheme is conditionally adopted by our Sole Shareholder by way of written resolution)
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AIL”	Argento Investments Limited, a company incorporated in the BVI on 8 October 2010 with limited liability and is wholly-owned by Mr. Goujard
“Alcatel Lucent”	Alcatel Lucent, a company incorporated in France and the Licensor, an Independent Third Party
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application form(s) or where the context so requires, any of them, used in the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company adopted on 21 December 2017, which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“ATL Asia”	Atlinks Asia Limited, a company incorporated in Hong Kong on 3 December 2009 with limited liability and is an indirect wholly-owned subsidiary of our Company
“ATL Enterprise”	Atlinks Enterprise Limited, a company incorporated in Hong Kong on 22 September 2016 with limited liability, which is directly owned as to 51% by ATL Holdings and 49% by HK Sipall

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## DEFINITIONS

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“ATL Europe”	Atlinks Europe (formerly known as Verdosso Industry 1), a company incorporated in France on 30 October 2008 with limited liability and is an indirect wholly-owned subsidiary of our Company
“ATL Holdings”	Atlinks Holdings Limited, a company incorporated in Hong Kong on 13 January 2012 with limited liability and is an indirect wholly-owned subsidiary of our Company
“ATL Industries”	Atlinks Industries Limited, a company incorporated in the BVI on 13 July 2017 with limited liability and is a direct wholly-owned subsidiary of our Company
“ATL Mexico”	Atlinks Mexico S.A. de C.V., a company incorporated in Mexico on 14 December 2009 as a limited liability corporation (S.A.) with variable capital, and is indirectly owned by our Company as to 99.998% and directly owned by Mr. Goujard as to 0.002%
“ATL Shenzhen”	Atlinks Technology (Shenzhen) Limited* (艾靈思科技(深圳)有限公司), a WFOE established in the PRC on 6 March 2014 and is an indirect wholly-owned subsidiary of our Company
“ATL Suisse”	Swissvoice International SA (formerly known as Atlinks (Suisse) SA prior to 13 December 2016), a company incorporated in Switzerland on 14 November 2016 with limited liability, and is an indirect wholly-owned subsidiary of our Company
“Atlinks Group”	Atlinks Group, a company incorporated in France on 24 November 2008 with limited liability and was dissolved on 25 September 2013
“Board”	the board of Directors
“business day”	any day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

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## DEFINITIONS

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“Capitalisation Issue”	the issue of 299,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CHF”	Swiss Franc, the lawful currency of Switzerland
“China” or “the PRC” or “People’s Republic of China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Code”	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
“Co-manager”	Orient Securities (Hong Kong) Limited
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or modified from time to time

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Atlinks Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 3 August 2017, registered as a non-Hong Kong company under part 16 of the Companies Ordinance on 8 September 2017 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it become the holding company thereof, our Company’s present subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means Eiffel Global, TOHL, Ms. Chu, AIL, Mr. Goujard, Mr. Duc, and Ms. Ho
“Countries subject to International Sanctions”	are countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Deed of Indemnity”	the deed of indemnity dated 21 December 2017 entered into by our Controlling Shareholders in favour of our Group (for itself and as trustee for and on behalf of its subsidiaries) particulars of which are set out in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus



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## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated 21 December 2017 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with Our Controlling Shareholders – Non-competition undertakings” to this prospectus
“Director(s)”	the director(s) of our Company
“EcoVadis”	a global company that provides supplier sustainability ratings for global supply chains and procurement organisations
“Eiffel Global”	Eiffel Global Limited, a company incorporated in the BVI on 13 July 2017 with limited liability, which was directly owned as to 75%, 11.83%, 9.67% and 3.5% by TOHL, AIL, Mr. Duc and Ms. Ho, respectively
“Euro” or “€” or “EUR”	the lawful currency of the member states of the European Union
“France”	the French Republic
“French Legal Adviser”	Baudouin Gogny-Goubert, the legal advisers of our Company as to the laws of France in connection with the Share Offer
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research and consulting party
“Frost & Sullivan Report” or “F&S Report”	the market research report prepared by Frost & Sullivan and commissioned by our Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

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## DEFINITIONS

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“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK Sipall”	HK Sipall Limited, a company incorporated in Hong Kong on 19 October 2015 with limited liability, which held 49% interest of ATL Enterprise
“HK\$” or “HKD” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendment and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Legal Counsel”	Mr. Leung Wai-Keung, Richard, barrister-at-law and our legal counsel as to certain aspects of Hong Kong law in connection with the Share Offer, who is an Independent Third Party
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of GEM Listing Rules) with any of the Directors, chief executive or substantial shareholder(s) of our Company, its subsidiaries or any of their respective associate(s)
“International Sanctions”	sanctions-related laws and regulations issued by the U.S., the European Union, the United Nations or Australia

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## DEFINITIONS

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“International Sanctions Legal Advisers”	Hogan Lovells, the legal advisers of our Company as to International Sanctions laws in connection with the Listing
“Latest Practicable Date”	21 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“License Agreement”	the Alcatel Mark license agreement dated 5 January 2010 entered into between Alcatel Lucent and Atlinks Group (as amended by a first amendment to the Alcatel Mark license agreement dated 27 September 2012 entered into between Alcatel Lucent and Atlinks Group, a transfer and second amendment to the Alcatel Mark license agreement dated 12 December 2013 entered into between Alcatel Lucent, Atlinks Group and Atlinks Holdings Limited, and a third amendment to the Alcatel Mark license agreement dated 24 January 2017 entered into between Alcatel Lucent and Atlinks Holdings Limited), particulars of which are set out in the section headed “Business – License Agreement with Alcatel Lucent” in this prospectus
“Licensed Marks”	the trademarks bearing the word “Alcatel”
“Licensed Products”	telephones (PSTN or IP Technology), stand alone answering machines, corded and cordless audio conference sets, internet screen phone (web phone), walkie talkie and house sitting sensors and monitors which are necessarily and exclusively connected to and marketed with the telephones covered by the license as included under the License Agreement
“Licensee”	Atlinks Group or ATL Holdings (as the case may be)
“Licensor”	Alcatel Lucent, an Independent Third Party who is also the holder of the Licensed Marks
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on or around Friday, 19 January 2018
“Listing Division”	the Listing Division of the Stock Exchange

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## DEFINITIONS

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“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 21 December 2017 which will become effective upon the Listing, as amended from time to time a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Memorandum of Association” in Appendix III to this prospectus
“Mexican Legal Adviser”	Counselors International Abogados, S.C., the legal advisers of our Company as to the laws of Mexico in connection with the Share Offer
“Mexico”	the United Mexican States
“Mr. Duc”	Mr. Jean-Alexis René Robert Duc, one of the Controlling Shareholders and an executive Director
“Mr. Goujard”	Mr. Didier Paul Henri Goujard, one of the Controlling Shareholders, an executive Director and our chief executive officer
“Mr. Long”	Mr. Long Hak Kan (郎克勤), a non-executive Director, chairman of our Board, the spouse of Ms. Chu and father of Mr. Long Fung and Mr. Long Shing
“Mr. Long Fung”	Mr. Long Fung (郎豐), a non-executive Director and a son of Ms. Chu and Mr. Long, and an elder brother of Mr. Long Shing
“Mr. Long Shing”	Mr. Long Shing (郎盛), an executive Director and a son of Ms. Chu and Mr. Long, and younger brother of Mr. Long Fung
“Ms. Chu”	Ms. Chu Lam Fong (朱林芳), one of the Controlling Shareholders, the spouse of Mr. Long and mother of Mr. Long Fung and Mr. Long Shing
“Ms. Ho”	Ms. Ho Dora (何淑雯), one of the Controlling Shareholders, an executive Director and our chief financial officer
“MXN”	Mexican Peso, the lawful currency of Mexico

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## DEFINITIONS

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“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for pursuant to the Share Offer, as further described under the paragraph headed “Determining the Offer Price” in “Structure and Conditions of the Share Offer” to this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively
“Placing”	the conditional placing of Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” to this prospectus
“Placing Shares”	the 90,000,000 new Shares initially offered by our Company for subscription under the Placing, subject to reallocation as described in “Structure and Conditions of the Share Offer” to this prospectus
“Placing Underwriters”	the underwriters for the Placing who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement expected to be entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, Sole Lead Manager, the Co-manager and the Placing Underwriters, as further described in the paragraph headed “Placing” in “Underwriting” to this prospectus
“PRC Legal Adviser”	Shu Jin Law Firm, the legal advisers of our Company as to PRC law in connection with the Share Offer
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

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## DEFINITIONS

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“Price Determination Agreement”	the agreement expected to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 11 January 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price will be fixed for the purposes of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) on and subject to the terms and conditions described in this prospectus and the Application Forms relating thereto, as further described in “Structure and Conditions of the Share Offer – The Public Offer”
“Public Offer Shares”	the 10,000,000 new Shares initially offered by our Company for subscription pursuant to the Public Offer at the Offer Price subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer as listed out in the paragraph headed “Public Offer Underwriters” in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 December 2017 relating to the Public Offer and entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-manager and the Public Offer Underwriters, as further described in “Underwriting – Public Offer Underwriting Agreement”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation – Reorganisation”

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## DEFINITIONS

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“Reporting Accountant”	PricewaterhouseCoopers, our reporting accountant
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 December 2017, a summary of the principal terms of which are set forth in “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner” and “Sole Lead Manager”	First Shanghai Securities Limited
“Sole Sponsor”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor to the Listing and an Independent Third Party
“Spanish Legal Adviser”	Iván Pérez Hernando, the legal advisers of our Company as to the laws of Spain in connection with the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swiss Legal Adviser”	Des Gouttes & Associés, the legal advisers of our Company as to the laws of Switzerland in connection with the Share Offer

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## DEFINITIONS

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“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TOHL”	Talent Ocean Holdings Limited, a company incorporated in the BVI with limited liability on 8 February 2013, which is wholly-owned by Ms. Chu
“Track Record Period”	the period comprising the two financial years ended 31 December 2015 and 2016 and the six months ended 30 June 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$” or “USD” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) to be completed by the public who require(s) the Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) to be completed by the public who require(s) the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“WFOE”	Wholly Foreign Owned Enterprise in the PRC
“%”	per cent.

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.*

*In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary”, “significant shareholder”, “substantial shareholder” and “chief executive” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*



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## DEFINITIONS

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*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of company names in Chinese or another language which are marked with “\*” and the Chinese translations of company names in English which are marked with “\*” are for identification purpose only.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this prospectus as they relate to our Group and our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

“ISO”	the International Organisation for Standardisation, an independent non-governmental international organisation based in Geneva, Switzerland that develops and publishes international standards required by business, government and society around the world. ISO collaborates with its partners, including IEC, in international standardisation
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001:2007”	a standard of the OHSAS 18000 occupational health and safety management series, which specifies the requirements for the control of occupational health and safety risks associated with the organisation
“ISO 14001:2004”	a standard of the ISO 14000 environmental management series published by ISO, which specifies the requirements for an environmental management system of an organisation
“ISO 9001:2008”	a standard of the ISO 9000 quality management series published by ISO, which specifies the requirements for a quality management system of an organisation to consistently provide products that meet customer requirements and applicable statutory and regulatory standards
“CE”	a standard by the manufacturer on whether a marked product complies with the essential requirements of the relevant health, safety and environmental protection legislation of the applicable European directives
“CCC”	a standard on whether imported, sold or used products in the PRC market complies with the applicable safety and quality standards

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets. When used in this prospectus, the words and expressions such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, words or statements are intended to identify forward-looking statements.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

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

We have entered into the License Agreement with Alcatel Lucent in which Alcatel Lucent agreed to license the Licensed Marks to us for the Licensed Products. The term of the license will expire in 2027. For further details, please refer to the section headed “Business – License Agreement with Alcatel Lucent” in this prospectus. During the Track Record Period, the sales for the Licensed Products accounted for approximately 80.2%, 84.4% and 86.4% of our revenue for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively.

We are subject to early termination under various provisions of the License Agreement. Further, in the event there are any adverse change in our relationship with Alcatel Lucent, we cannot assure you that we would be able to successfully renew our license with Alcatel Lucent in 2027. In the event that the License Agreement is terminated or that we are unable to renew our license with Alcatel Lucent in 2027 and we are unable to increase our sales of other products under the Swissvoice brand owned by us, our business operations and financial performance may be adversely affected. Furthermore, the Alcatel brand has a strong presence in Europe and in the event that there are any negative press towards Alcatel Lucent, the Alcatel brand may be adversely affected. Sales of the Licensed Products may decrease as a result and our operations and financial conditions may be adversely affected.

#### **We do not have long term purchase commitments from our five largest customers, which expose us to potential volatility in our revenue**

We generally do not enter into any long-term agreements with our five largest customers with purchase obligations. The purchases by them are typically made on the basis of actual purchase orders received from time to time with no commitment to place future orders with us.

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## RISK FACTORS

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Our five largest customers are not obligated to continue placing orders with us at all or at the same level which they historically have done. Consequently, our five largest customers, could cancel, redo or defer future orders or cease to place orders at all, at will. During the Track Record Period, the sales of products to our five largest customers accounted for approximately 40.9%, 39.8% and 39.5% of our revenue for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively.

We cannot assure you that our existing customers will continue to place purchase orders with us in the future at the same quantity and price level as in the current or prior periods, or at all. If there is any other unexpected cessation of, or substantial reduction in the volume of, orders with any of our existing five largest customers due to reasons including but not limited to material disruption of their business operations or changes in business or procurement strategies, we cannot assure you that we would be able to obtain replacement in a timely manner or on commercially reasonable terms. Furthermore, the actual volume of our five largest customers' orders could be inconsistent with our expectations at the time we plan our expenditures and as a result, our business operations, financial condition and results of operations could vary from period to period and could fluctuate significantly in the future. If any of our relationships with our five largest customers were to be so altered and we were unable to obtain replacement orders, our results of operations would be adversely affected.

**We are dependent on our major suppliers for the manufacturing of our products. Any shortage or delay in the supply of our products from them or any change in their existing marketing strategies may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of manufacturing of our products immediately**

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, the amount of purchases from our five largest suppliers accounted for approximately 97.4%, 99.2% and 97.1% of our total purchases, respectively. During the same periods, purchases from Supplier A, being our largest supplier, accounted for approximately 53.4%, 61.5% and 59.7% respectively of our total purchases, respectively. Accordingly, we are dependent on the continuous supply of products from a few suppliers. There is no assurance that there will be no deterioration in our relationships with these suppliers which may have an impact on our ability to secure sources of manufacturing of our products.

All of our five largest suppliers are our manufacturing subcontractors. If there is any shortage of such subcontractors, or material delay in delivery by our suppliers, or the delivered materials fail to comply with our customers' specifications, due to reasons including but not limited to material disruption of their business operations or changes in business or procurement strategies, we may fail to complete our projects on time or at all. As a result, we may be required to pay damages to our customers. There is no guarantee that we would be able to identify suitable alternative sources of major manufacturing subcontractors with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected. If there is any deterioration in the quality of

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materials and products from our manufacturing subcontractors, and we are unable to identify suitable alternative sources, the progress and quality of our work could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

### **We rely on our distributors to distribute our products**

We sell part of our products to the distributor customers which then distribute or on-sell our products. For further details, please refer to “Business – Distributor Customers”. We cannot assure you that our distributor customers will renew their agreements with us, or otherwise retain their business relationships with us, and that these distributor customers will continue to purchase our products at current volume or prices in the future. In the event that any of our distributor customers decide to choose our competitors and terminate their business relationships with us and we fail to expand our business with the existing distributor customers or to attract new distributor customers, our business, financial condition and results of operations could be materially and adversely affected.

### **We are sensitive to interest rate fluctuations as we rely on bank loans and factoring loans for our working capital, and any increase of interest rate may affect our financial conditions**

Our business is affected by interest rates, as we rely on bank loans and factoring loans for our working capital. An increase in interest rates, or the perception that an increase may occur, could adversely affect our ability to obtain bank loans or factoring loans at favourable interest rates. Any increase in our interest expense could have a material adverse effect on our financial condition, results of operations and growth prospects.

### **We have high gearing ratio that may expose us to liquidity risk**

During the Track Record Period, our gearing ratio was approximately 106.0%, 108.3% and 95.3% as at 31 December 2015, 2016 and 30 June 2017 respectively. Our high level of bank borrowings, loans from relating parties and gearing ratio may adversely affect our liquidity and business operations, including but not limited to:

- increase our vulnerability under adverse economic condition;
- potentially limit our ability to raise additional funds; and
- increase our exposure to interest rate fluctuation.

If we continue to have a high gearing ratio, our exposure to liquidity risk may restrict our ability to make necessary capital expenditure or develop business opportunities in the future, which may adversely affect our results of operations and financial positions.

### **We have significant exposure on the French and Latin American markets. If there was a drastic decrease in orders from our customers in these markets, we cannot guarantee that we would be able to make up the loss of sales from other markets**

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, our sales to the French market represented approximately 44.1%, 52.3% and 48.2% of

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our total revenue, respectively, and our sales to the Latin American market represented approximately 29.4%, 23.1% and 19.9% of our total revenue, respectively. According to the F&S Report, the expected CAGR for home telephone market is changed by approximately -9.1% and -4.7% respectively in the European and Latin American markets from 2017 to 2021. Our Directors anticipate that our sales to the French and Latin American markets will continue to represent a significant portion of our revenue in the near future. Economic, legal, regulatory, currency rate against the dollar and political factors impacting these markets in particular could adversely affect the spending habits of its consumers and, therefore, the purchasing decisions of our customers in the French and Latin American markets. If there is a drastic decrease in the volume of orders from our customers in the French and Latin American markets, we cannot assure you that we could increase orders from other markets to make up for such loss of sales, and our business operations and financial results could be adversely affected.

**We derive a significant portion of our revenue from our sales of home telephones. Any decrease in our sales of home telephones could materially and adversely affect our business, financial condition and results of operations**

A substantial proportion of our revenue is generated from the sales of home telephones. For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, sales of home telephones accounted for approximately 87.5%, 85.4% and 84.7% of our total revenue, respectively. We cannot assure you that the sales of home telephones would generate the revenue at a level comparable to that of the historical sales. If the market demand for home telephones decrease in the future, which according to the F&S Report is expected to decline for the home telephone segment due to the highly saturated home telephone segment in Europe and price competition, or if we fail to develop new products appealing to our customers or increase customers' orders for our other products, our business operations and financial results could be adversely affected.

**Logistical problems such as delays in delivery, or failure to store inventory in optimal conditions, may adversely affect our sales and damage our reputation**

We rely on independent third-party logistics companies for the distribution and transportation of our products. The services provided by such logistics companies could be suspended or delayed due to force majeure or other unforeseen events. Delivery disruptions may occur for various reasons beyond our control, including poor handling, transportation bottlenecks, natural disasters and could lead to delayed or lost deliveries or damaged goods. If our products are not delivered on time, or our products are damaged during delivery, we may have to pay compensation in excess of our carriage of goods insurance coverage, and we could lose business and our reputation could be harmed, which may adversely affect our results of operation. Further, if we fail to store our inventory at optimal conditions, such as at optimal temperatures and humidity levels, the quality and shelf life of our products may be adversely affected, and we may as a result suffer damage to our reputation, which may adversely affect our results of operation.

**If we fail to anticipate technology innovation and successfully design and market new products in time or at all, our business, financial condition and results of operations will be adversely affected as a result**

Due to rapid technological innovation and changing consumer preferences inherent to our industry, we are subject to product and technology obsolescence and price erosion. If we cannot

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successfully anticipate and identify changes in market demand due to technological changes and design and introduce new and competitive products and services that meet the needs of the market or gain market acceptance in a timely and effective manner, our results of operations and reputation could be adversely affected. If we fail to introduce new products or services that meet market demands, there is a risk that we could set lower selling prices for our existing products and our profit margins could be adversely affected. In addition, we cannot assure you that we will have adequate funding and resources necessary for developing and marketing new products or that our marketing strategies for our new products will be successful.

### **The sales and profitability of our products are dependent on our customer's business performance**

We sell our products mainly by direct sales to our customers. The business performance of our customers, which is beyond our control, would affect our sales to our customers. Our customers could underperform due to several factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for our customers' products and adverse market or economic conditions in the markets in which our customers operate, in particular, Europe, Latin America and Asia. If our customers experience underperformance, they could reduce their purchases from us, which could have a material and adverse impact on our business, financial conditions, results of operations and prospects.

### **Our profitability will be affected by the declining selling price and we may not be able to sustain current profitability**

Our profit is sensitive to changes in selling price. Any significant decline in the selling prices of our products will negatively affect our profitability in the future. During the Track Record Period, the average selling price of our home telephones was approximately EUR14.5, EUR14.3 and EUR13.4 for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively. As such, we experienced decrease in the average selling price of our home telephone products. Given this, our profitability for the Track Record Period might not give any indication of, and should not be interpreted as guidance for, our total profits in the future. In the event we encounter continuing selling price declines of our major products in the future, we could have difficulties to maintain or manage our business growth and our business operations and financial results could be adversely affected.

### **Our products are mostly produced in the PRC and any increase in production costs and appreciation in RMB may lead to increase of our cost of sales, which we may not be able to transfer to our customers**

Given that most of our products are manufactured in the PRC by our suppliers, we may be susceptible to increased production costs and appreciation in RMB, which we may not be able to transfer such cost increase to our customers. In the event that our suppliers in the PRC increased its cost of production and we are unable to increase the price of our products to be sold to our customers, our profit margin may be lowered and our financial conditions may be adversely and materially affected. Further, in the event of any implemented changes to the



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employment laws or other relevant laws and regulations in the PRC, we may be required to adjust our production arrangements accordingly. This may incur additional costs and consequently will impact the bidding price we propose to customers. As such, this could materially and adversely affect our financial conditions, results of operations and growth prospects.

**If we fail to efficiently manage our inventory risks, our business, financial condition and results of operations will be adversely affected**

We may be unable to efficiently manage our inventory risks. We maintain high level of inventories at all times mainly in Europe so that we could deliver our products to customers within a short period, in particular, for our major telecom operators and large customer retail chain stores customers in Europe. Given that the time for the subcontractors to manufacture and the delivery time usually takes at least four weeks, we usually stock up sufficient inventory in our warehouse to meet such tight schedule as requested by our customers which may provide us with a short notice for delivery of our products. However, since we plan to develop and sell more business phones and elderly telecommunications products, if we failed to introduce new products or services that meet market demands and effectively manage our inventory level, there is a risk that we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values and significant inventory write-downs or write-offs. Any of the above may materially and adversely affect our results of operations and financial condition.

**We may face risk regarding to the recoverability of trade receivables**

Our Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the trade receivables may not be collectible. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our Group has made provision/(reversal) for impairment of trade receivable of approximately EUR131,000, EUR(111,000) and EUR89,000, respectively. We cannot assure whether (i) we could receive from our customers for the long outstanding trade receivables (i.e. as at 30 June 2017, approximately EUR0.8 million of trade receivable with age more than 90 days) or we could claim from our credit insurance in case of default in payment by our customers; and (ii) we need to make provision/(reversal) for the impairment of trade receivables if there is any unexpected events or changes that may affect the recoverability of the receivables and as a result, our operation and financial results could be adversely affected.

In order to secure payment for our trade receivables, we maintain credit insurance policies for certain customers. For further details, please refer to the section headed “Business – Insurance” in this prospectus. During the Track Record Period, we have made three claims against the insurance companies to recover our trade receivables owed to us by certain customers in the aggregate value of approximately EUR1.0 million.

Nevertheless, our insurance coverage only insures against up to 90% of the damages and liabilities incurred. Where the damage or liability is significant, the uninsured 10% or more

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liability would render significant losses which may adversely affect our financial position. Further, there can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers as any insurance claim may be declined by our insurance company or fall outside the scope and/or limit of our insurance coverage. As such, our business, financial conditions and results of operation may be materially and adversely affected.

### **We may face risk regarding the recoverability of deferred tax assets**

As at 31 December 2015, 2016 and 30 June 2017, our Group's deferred tax assets were approximately EUR1.3 million, EUR1.1 million and EUR1.3 million, respectively. While the deferred tax assets may enable our Group to reduce future tax payment, our deferred tax assets may also pose risk to our Group as the recoverability is dependent on our Group's ability to generate future taxable profit. We cannot assure you that the deferred tax assets can be recovered. In the case that the value of deferred tax assets has changed, our Group may have to write-down the deferred tax assets, which may significantly affect our expenditure, profit and loss and financial condition in that respective financial year.

### **We are subject to risk of currency fluctuations and any ongoing hedging transactions may not fully shield us from foreign-exchange fluctuations**

During the Track Record Period, while our expenses and costs were mainly denominated in USD, a substantial portion of our revenue was denominated in Euros due to the export-oriented nature of our business. Any significant fluctuations in the exchange rates between USD and Euros could materially and adversely affect our results of operations. Following Britain's vote to leave the European Union, for instance, the Euros declined against USD during the Track Record Period. Any future exchange rate volatility relating to USD could expose us to risks of uncertainties in the value of net assets, profits and dividends. For the two years ended 31 December 2016 and six months ended 30 June 2017, we recorded net exchange gain/(loss) which amounted to approximately EUR364,000, EUR(216,000) and EUR481,000 respectively and currency translation differences of approximately EUR(9,600), EUR27,000 and EUR(22,000), respectively on translating foreign operations. As we derive a substantial portion of our revenue in Euros, any depreciation in the Euros will also materially and adversely affect our financial conditions.

Further, we have generated an average of 24.1% of our revenue from Latin America during the Track Record Period. For the two years ended 31 December 2016 and the six months ended 30 June 2017, we have generated 29.4%, 23.1% and 19.9% from our total revenue in Latin America, respectively. In the event that the local currency in Latin America deteriorates, our customers' cost to purchase products from us may increase due to exchange rate against the USD. In turn, they may need to increase their price when they sell our products to end consumers locally in local currency. Demand for our products may adversely be affected as local consumers may not have the purchasing power to buy our products due to increase in selling price. Any significant deteriorations of the local currency in Latin America thereby rendering significant fluctuations in the exchange rates could materially and adversely affect our financial conditions and results of operations.

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We have a hedging policy in place to mitigate the risk on exchange rate fluctuations by means of forward contracts as well as options. For further details, please refer to the section headed “Business – Foreign exchange risk control” in this prospectus. In the future, we intend to continue to conduct foreign exchange hedging transactions. We cannot assure you, however, that such transactions will be risk-free, and any loss resulting from such transactions may materially and adversely affect our financial condition and results of operations.

**We acquired the Swissvoice brand in November 2016 and we may not be able to generate stable and significant revenue and profit from sales of products under the Swissvoice brand immediately**

We acquired the Swissvoice brand in November 2016. For further details, please refer to the section headed “Business – Acquisition of the Swissvoice brand” of this prospectus. During the Track Record Period, we generated revenue of nil, nil and approximately EUR92,000 for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively from the sales of products and royalty income under the Swissvoice brand. As there is only a short track record regarding the sales of products under the Swissvoice brand, we cannot assure you that we are able to generate stable and significant revenue and profit from sales of products under the Swissvoice brand immediately or at all in the future. In the event that our sales of products under the Swissvoice brand cannot generate any significant revenue and profit, our financial conditions and operations may be materially and adversely affected.

**Our performance could fluctuate due to changes in our business strategies**

During the history of our business, we have produced a number of different products such as home telephones, office telephones, Internet Protocol (“IP”) cameras and baby monitors. We aim to develop new products tailored to the elderly market and also to expand our geographical coverage to customers in other areas of the world. In expanding our business internationally, we may enter markets in which we have limited or no experience and in which our brand may not be recognised. Our targeted countries may withhold approval for the sale of our products due to differences in regulatory standards or protectionist trade policies. We may be unable to attract a sufficient number of customers and distributors or at all in such markets, and our selected distributors may not be suitable for selling our products. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these new markets. We are exposed to other economic, legal, social, political and regulatory changes that would affect our business and our targeted countries.

Our expansion plan includes, among others, expanding our product range to target the elderly market. For further details, please refer to the section headed “Business – Business Strategies” of this prospectus.

During the Track Record Period, revenue generated from the sales of elderly telecommunications products amounted to approximately 10.4%, 11.7%, and 12.8% of our Group’s total revenue, and according to F&S Report, market size of elderly

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telecommunications products in Europe was approximately US\$15.5 million and US\$20.3 million, accounting for approximately 3.7% and 5.3% of the home telephone sales value in Europe in 2015 and 2016 respectively. There is no assurance that the market size of elderly telecommunications products will continue to become big enough for the Group to improve its profitability significantly.

Furthermore, even taking into consideration that our expansion plans, including our development of new elderly telecommunications products may be successfully implemented, as the elderly telecommunications product market is relatively small, it may only contribute to a minor portion of our revenue in the future, and may not be able to improve our profit significantly. As such, the costs of venturing into these new expansion plans may outweigh the benefits obtained by us even if such expansion plans are successful, and our operations and financial conditions may still be adversely affected.

We cannot assure you that changes in our business strategies will achieve the desired results. If we fail to execute our business plans effectively or if we are unable to manage our managerial, operational and financial resources to accommodate these changes, we cannot assure you that we will be able to implement our business strategies as scheduled and our business, reputation and prospect could be adversely affected.

**We principally focus on the sales of home and office telephones during the Track Record Period, and our performance may be affected by the popularity of the mobile phone market if consumers prefers to purchase mobile phones instead of fixed line home and office telephones**

During the Track Record Period, we principally focus on the sales of home and office telephones and our revenue is principally generated from the sales of home and office telephones, which accounted for over 95% of our revenue during each period of the Track Record Period. According to the F&S Report, global mobile penetration has surged from about 53% in 2012 to about 62% in 2016, showing that more than 60% of the world's population used a mobile phone for the past five years. As mobile phones are an alternative to home and office telephones and there are many different brands and selections of new mobile phones being released to the market each year, consumers may prefer to use mobile phones as their communication channels to others and not to purchase home and office fixed line telephones in general. In the event the trend of using mobile phones instead of using fixed line office or home telephones continues and more users prefer to use mobile phones instead of fixed line office or home telephones, sales of our products (including the Licensed Products) may decrease as a result. As such, our operations, financial conditions and business prospects may be materially and adversely affected in the future as we principally focus on the sales of home and office telephones during the Track Record Period.

**Our products are subject to certain laws and regulations, government policies and economic, social and political conditions in Europe, Latin America, Asia and other jurisdictions where we sell our products**

Our products need to satisfy various certification requirements. For further details, see the section headed "Regulatory Overview" in this prospectus. As the eligibility criteria for these

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certifications could change from time to time and those changes are out of our control, we cannot assure you that our products can successfully satisfy these certification requirements or obtain relevant certificates(s) on time, or at all in the future. If our products fail to obtain or renew all necessary certificates, our customers could not continue to place orders with us and our operations and financial result could be materially and adversely affected.

In addition, as most of our products are exported to Europe, Latin America, Asia and other jurisdictions, we are subject to challenges in relation to changes in local regulations, trade policies, taxation laws, foreign exchange controls, import or export controls and economy development status which could affect our customers' performance results and the consumers, discretionary spending habits and ability. Economic slowdown or recession could result in a reduction in discretionary consumer spending and cause our customers to delay, defer or cancel their purchase orders with us. Further, unfavourable changes in local laws and regulations and government policies could block and/or discourage our customers to place purchase orders with us. If there are prolonged economic difficulties or financial crisis or continuing decline in consumer confidence in the economy or if we cannot suitably modify our business strategies to adjust those unfavourable changes in local laws and regulations and government policies, our business operation, financial condition and results could be adversely affected.

Furthermore, most of our products are exported. Relevant authorities in our export markets could change and amend laws and regulations relating to product safety of their respective jurisdictions from time to time. The occurrence of any such event is out of our control and we could risk producing products which are found to be in breach of the new and amended laws and regulations of the relevant jurisdiction(s). We could be subject to administrative investigations or be liable to penalties or incur additional costs of compliance and maintenance, thereby adversely affecting our business, operating result, reputation and prospect.

### **We are exposed to credit risk of our customers**

Our trade receivables as at 31 December 2015, 2016 and 30 June 2017 amounted to approximately EUR12.3 million, EUR10.9 million and EUR9.6 million respectively, accounted for approximately 38.8%, 32.8% and 35.2% of our Group's total assets, respectively.

As at 31 December 2015, 2016 and 30 June 2017, the average trade receivables turnover days were approximately 82.2 days, 104.4 days and 101.7 days, respectively. We normally grant credit terms ranging from 30 days to 90 days to our customers.

Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our Group's customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In the event the settlements from our customers are not made on a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

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**Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability**

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not rely on our historical results to predict the future performance of our Shares.

**Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them**

Our executive Directors comprise a group of highly experienced individuals in the telecommunications products industry. Mr. Goujard, our chief executive officer and an executive Director, has over 30 years' experience in the telecommunications products industry. His experience, coupled with extensive knowledge of the telecommunications industry in Europe, Latin America and Asia, enables him to understand market dynamism and industry practice. Mr. Duc, our executive Director, has over 20 years' experience in the telecommunications products industry as well. Both Mr. Goujard and Mr. Duc have established close relationships with our customers, suppliers and subcontractors. Ms. Ho, our executive Director and chief financial officer, has over 20 years' experience in commercial accounting, administration and corporate governance.

Our key personnel as well as their management experience in the telecommunications products industry in Europe, Latin America and Asia are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors, there is no assurance that our Group can retain the continuous services of our executive Directors and other members of senior management. There could be an adverse and material impact on the business, results of operation and profitability of our Group, should any of our executive Directors terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them.

**If we are accused or we accuse others of infringing intellectual property rights, the consequences of facing legal proceedings or claims would have an adverse effect on our business, operating results, financial condition and reputation**

Our products incorporate a wide variety of technologies. We could face legal proceedings or claims against us from time to time asserting that such technology infringes the intellectual property owned by others. We could also accuse others and enter into legal proceedings with others who infringe our intellectual property rights such as the unauthorised use of the Licensed Marks. If either of these events occur, there is a risk that we will need to enter into settlement, to pay significant damage awards, and/or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our products and services, which could have an adverse effect on our business, operating results, financial condition and reputation.

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### **We are subject to financial and reputational risks due to product quality and liability issues**

Our business is inherent to the risk of product liability claims. We cannot guarantee that all products produced by us are defect-free. If our products failed to perform their specifications or caused or alleged to have caused property damage, bodily injury or death, we could be subject to product liability claims. These claims, regardless of merit, could subject us to lawsuits and result in unexpected expenses. If large scale product recalls were requested due to products claims or if we failed in the lawsuits, our reputation, business operation and financial result will be adversely affected.

### **If we fail to maintain an effective quality control and integrated management systems relating to environment, health and safety, our business could be adversely affected**

We cannot assure you that we can maintain our effective quality control and integrated management systems relating to environment, health and safety systems in the future. In terms of our quality control system, there is no assurance that defects, errors or vulnerabilities would not exist in the quality assurance tests conducted on our products, whether by ourselves or in external laboratories. In relation to our integrated management systems, there is no assurance that we are able to renew our ISO 9001 certification, ISO 14001 certification and OHSAS 18001 certificates. If our products fail to meet with our customers' requirements or our systems fail to meet the certification standards, our customers could cease placing orders with us and our business operation and reputation could be adversely affected. If our procedures on monitoring the performance of our subcontractors fail to achieve the desired result, it could result in deteriorating quality of our products and could subject us to liability. If our products fail to meet internationally accepted safety and quality assurance or meet customer's requirements, we could be subject to a decrease in demand for our products or cancellation or loss of orders from our customers which would in turn have an adverse impact on our business operation and financial results.

### **We could be subject to imposition of fines and penalties due to non-compliance with certain laws and regulations**

We cannot assure you that we will not be subject to fines or penalties or other liabilities in the future, and if such happens, our financial position could be adversely affected.

### **We may be ordered to pay compensations to certain claimants of legal proceedings which our Group is involved in during the Track Record Period**

During the Track Record Period, our Group was involved in two legal disputes in France. For details, please refer to the section headed "Business – Legal Proceedings". As we have not reached final settlement for one of the legal disputes, and we have not obtained a judgment from the courts in France for the other legal dispute, we cannot guarantee and/or confirm whether we would obtain favourable judgment regarding one of the legal disputes, or the amount of compensation we need to bear for the other legal dispute. In the event the courts made an order against us for one of the legal disputes and/or we need to bear a substantial amount of compensation for the other legal dispute, our financial position may be materially and adversely affected.

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### **We are exposed to certain types of liabilities that are generally not insured against**

During the Track Record Period, our Group maintained insurance coverage against, among others, office insurance, product liability insurance and credit insurance, relevant details are included in the section headed “Business – Insurance” in this prospectus. Certain types of risks, such as risks in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers. As such, our business, financial conditions and results of operation may be materially and adversely affected.

### **Dividends declared in the past may not be indicative of the dividend policy in the future**

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, our Group paid a dividend in an amount of approximately EUR1.0 million, EUR1.0 million and nil, respectively. 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. For further details of the dividend policy of our Company, please refer to the section headed “Financial information – Dividends” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

### **We may not be able to obtain adequate financing for the development of our business in the future**

During the Track Record Period, we relied on bank borrowings, factoring loans and loans from Shareholders to maintain our cash flow for our daily operation and working capital needs. As at 31 December 2015, 2016 and 30 June 2017, our bank borrowings which were repayable within one year or on demand were approximately EUR6.8 million, EUR7.7 million and EUR6.0 million, respectively. The outstanding bank borrowings will be repaid by our internal resources. We cannot assure that we will be able to obtain bank loans and/or other equity or debt financing on commercially reasonable terms and/or on a timely basis following the Listing. If we are unable to obtain necessary financing or obtain such financing on favorable terms due to various factors beyond our control, we may not have sufficient funds to develop our business and the future prospect and growth potentials of our Group may be adversely affected.

### **We may experience weak liquidity as we had recorded negative cash flow from our operating activities in the past**

For the six months ended 30 June 2017, we recorded negative cash flow from our operating activities of approximately EUR1.1 million mainly due to the net impact of our loss



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before income tax of approximately EUR0.5 million and the decrease in trade payables of approximately EUR2.4 million as a result of the decrease in sales during the six months ended 30 June 2017. Please refer to “Financial Information – Liquidity and capital resources” for a more detailed discussion. We cannot assure you that we will not experience another period of negative cash flow from our operating activities in the future.

### **Our sales of products are sensitive to the seasonality of consumer demand**

Our sales are sensitive to seasonality. For example, during the Track Record Period, we experienced lower sales in the first three quarters of our financial year (i.e. from January to September) which, our Directors believe, is attributable to lower end-consumer purchasing desire after the major holidays, including Christmas. During the last quarter of the financial year of the Company, which include the Christmas season, end consumers may increase their spending, which may include purchasing consumer goods including our telecommunications products. As such, due to higher demand from end consumers, our customers may purchase more products from us during the last quarter of the financial year. Therefore, seasonality may have a financial impact on our Group’s performance. As a result, changes in the competitive environment, changes in market conditions and delays in the release of consumer products can adversely affect our operating results.

### **We have previously made sales to customers in countries that are subject to International Sanctions administered by U.S., and we could be adversely affected if these sales result in penalties on our Group**

The U.S. and other jurisdictions or organisations, including European Union, United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries.

We sold our products, namely home and/or office telephones, to Cuba, Egypt, Ivory Coast, Lebanon, Russia, Tunisia, Ukraine and Zimbabwe. Cuba is subject to very comprehensive economic sanctions. For each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our revenue derived from sales to these customers amounted to approximately EUR1.1 million, EUR1.2 million and EUR0.4 million, representing approximately 2.3%, 2.9% and 2.3% of our total revenue, respectively.

Our Directors confirm that, save as disclosed in the “Business” section of this prospectus, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the European Union, the United Nations and Australia. In relation to our sales to customers in Countries subject to International Sanctions during the Track Record Period, we have not been notified and have no reason to believe that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC or other restricted parties lists, including those maintained by the European Union,

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the United Nations or Australia. In the absence of any information to the contrary, we have no reasonable grounds to believe that any of the owners, controllers or directors of our customers are on such lists either. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions imposed by the U.S., the European Union, the United Nations and Australia. Therefore, none of our sales to parties located in or other activities in Countries subject to International Sanctions would be prohibited activities under the relevant sanctions laws and regulations.

We undertake to the Stock Exchange that we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations and Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to the section headed “Business – Business Activities in Countries subject to International Sanctions – Our undertakings and internal control procedures” in this prospectus.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the European Union, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in Countries subject to International Sanctions and/or with Sanctioned Persons. We can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., the European Union, the United Nations and Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated relevant sanctions laws, or being sanctionable. In the event our Group is deemed to violate sanctions law in the future, our business operations and financial conditions may be adversely and materially affected.

### **Unforeseen circumstances may negatively affect our Group’s business operations and financial position**

We may be susceptible to any unforeseen circumstances that may adversely affect the ordinary operation of our business for an extended period of time. Such unforeseen circumstances may include events that may prevent us from performing our usual course of

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business for an extended period of time, such as outbreaks of contagious diseases including SARS, avian flu, swine flu or similar epidemics, tropical cyclone warning signal No. 8 or above, “Black” rainstorm warning, floods and protests that affect access to our office. Furthermore, acts of terrorism and other unforeseen circumstances may cause severe negative effect on our Group’s business operations as well as our financial performance.

**Weather conditions, natural disasters, other acts of God, political unrest and other events may have negative impact on our business**

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy and our business. Our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

**Incidents of parallel imports and counterfeit products could adversely affect the demand of the products we offer and negatively impact our brand image, reputation and profitability**

We are a home and office telecommunications product designing company and are engaged in the design, development and sales of telecommunications products under the Licensed Marks and Swissvoice brand. If a significant number of our customers turn to parallel imports or counterfeit products of our telecommunications products, our sales could suffer. Incidents of parallel imports and counterfeit products could also affect the value and image of the brands under which we operate and result in a loss of customer confidence in the telecommunications products we offer and, as a result, adversely affecting our financial performance.

### **RISKS RELATING TO CONDUCTING BUSINESS IN FRANCE AND EUROPE**

**Social, political, regulatory, economic and legal developments, as well as any changes in European government policies, could materially and adversely affect our business and operating results**

Our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory, legal and economic developments in Europe. Uncertainties in these areas include, but not limited to, the risks of facing members of European Union leaving the European Union and as a result all European Union countries losing income with a large increase in trade costs, customs barrier, nullification of contracts, changes in interest rates, with a major concern on the EUR/USD exchange rate fluctuation, changes in government policies or introduction of new laws, bylaws, rules or regulations concerning the sale and purchase of telecommunications devices and methods of taxation. Any negative developments may adversely affect our business, financial condition, results of operations and prospects.

Our Group’s primary sales market is France. As France is expected to remain as our Group’s core market and place of operation in the foreseeable future, negative developments

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in the French economy may have a material adverse effect on our business. There can be no assurance that the French economy will be positive in the future. As at the Latest Practicable Date, our Group's commercial activities (i.e. purchase and sale of telecommunications devices) do not require any governmental or regulatory authorisation. However, the telecommunications devices must comply with the European Community certification standards in force. The European Community may expand or tighten the scope of regulations and impose new requirements governing the certification of manufactured goods. These new measures may limit our flexibility to operate and may increase our Group's costs of doing business. Our Group's failure to comply with such laws and regulations could also result in reprimand, penalties, compounds, fines and lawsuits. As such, these restrictions may affect our ability to carry on our business.

### **RISKS RELATING TO CONDUCTING BUSINESS IN SWITZERLAND**

**Social, political, regulatory, economic and legal developments, as well as any changes in Swiss government policies, could materially and adversely affect our business and operating results**

Our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory, legal and economic developments in Switzerland. Uncertainties in these areas include, but not limited to, the risks of changes in interest rates, changes in government policies or introduction of new laws, bylaws, rules or regulations concerning the sale and purchase of telecommunications devices, the relevant intellectual property laws and methods of taxation. Further, one of our Group's sales market is in Switzerland. There can be no assurance that the Swiss economy will remain positive in the future. Any negative developments may adversely affect our business, financial condition, results of operations and prospects.

**Our Group relies on the trademarks, industrial designs and domain name assets of Swissvoice SA to market, distribute and design its products**

Our Group has entered into an asset purchase agreement with Swissvoice SA on 24 November 2016 whereby Swissvoice SA agreed to sell, transfer and convey to ATL Suisse the rights, titles and interests in the trademarks, industrial designs and domain names of Swissvoice SA (the "**Intellectual Property Assets**"). As confirmed by the Swiss Legal Adviser and at the Latest Practicable Date, certain Intellectual Property Assets are still in the process of being transferred to our Group. If no action has been/is taken, there is no assurance that the Intellectual Property Assets will be successfully transferred to our Group. In the event that the Intellectual Property Assets fail to be transferred to us or failed to be registered or they have already expired and cannot be renewed, we may not be able to market, distribute or design our sales products under the Swissvoice brand. As such, our business, reputation, financial performance and results of operation may be materially and adversely affected.

### **RISK RELATING TO CONDUCTING BUSINESS IN HONG KONG**

**We may be unable to obtain our license authorising our Group to deal in the course of trade or business of radiocommunications transmitting apparatus to import into Hong Kong or export therefrom any such apparatus**

As advised by our Hong Kong Legal Counsel, under section 9 of the Telecommunications Ordinance, we are required to hold a license authorising our Group to deal in the course of

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trade or business of radiocommunications transmitting apparatus to import into Hong Kong or export therefrom any such apparatus. In the event that we are unable to renew or continue to hold such license in the future, our business operations may be interrupted and our financial operations may be materially and adversely affected.

**Any changes in the regulatory environment resulting in the imposing of import tariffs and sales tax on the telecommunications products we offer could adversely affect our profitability**

At present, there is no import tariff, sales tax or other tax on the telecommunications products we offer in Hong Kong. If Hong Kong were to introduce or impose import tariffs, sales tax and/or other taxes on those products, our Directors would anticipate that the relevant profit margin of our Group could be reduced. Such introduction of tariff or tax could also result in a corresponding increase in the price of those products and can eventually lead to decrease in customers' demand for our merchandise. All these factors could have an adverse impact on our business and financial performance.

### **RISK RELATING TO CONDUCTING BUSINESS IN MEXICO**

**Social, political, regulatory, legal and economic developments in Mexico could affect our business and prospects**

Our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory, legal and economic developments in Mexico. Uncertainties in these areas include, but not limited to, the risks of changes in interest rates, changes in government policies or introduction of new laws, bylaws, rules or regulations concerning the sale and purchase of telecommunications devices in Mexico. Furthermore, the relationship between the US and Mexico is unstable and any changes of the US towards Mexico in terms of sanctions and political relationships may adversely affect the economy and political stability of Mexico. In the event that there are any negative developments in Mexico, our business operations and financial conditions may be materially and adversely affected.

### **RISKS RELATING TO THE PRC**

**Economic, political and social conditions in the PRC and government policies could affect our business and prospects**

We derive revenue from our business in the PRC. Accordingly, our financial condition, results of operations and prospects are subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular

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industries or companies. These measures may be adjusted or modified, or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not benefit from some of these measures. The PRC government also has the power to implement macroeconomic measures affecting the PRC economy. Such uncertainties in the PRC and its economy may adversely affect our financial condition and results of operations.

Our Group is also subject to relevant PRC laws including enterprise income tax and value-added tax laws, foreign investment laws, foreign exchange laws, labour laws, social insurance laws and laws on housing provident funds. Please refer to the section headed “Regulatory Overview” for details of the laws regulating our business in the PRC. In the opinion of our PRC Legal Adviser, our business in the PRC is in compliance with the existing PRC laws and regulations. However, we cannot assure you that we will not be found in violation of any current or future PRC laws and regulations. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations. Accordingly, we cannot assure you that the PRC regulatory authorities will ultimately take a view that is consistent with the opinion of our PRC Legal Adviser. If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our business license, requiring us to restructure the relevant ownership structure or operations, and requiring us to discontinue all or any portion of our business operations in the PRC. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Our industry is affected by global macro-economy**

Our industry is volatile and is sensitive to economic slowdown or recession which is beyond our control. Economic slowdown or recession or potential economic slowdown or recession could result in a reduction in discretionary consumer spending and cause our consumers to delay, defer or cancel their purchases. Prolonged economic difficulties or financial crisis or continuing decline in consumer confidence in the economy will have an adverse effect on our business, financial condition and results of operations.

#### **Our industry is subject to competition**

According to the F&S Report, it indicates that the top five home telephone brands in Europe accounted for an aggregated market share of approximately 61.1% while the top five business phone brands in Europe account for approximately 52.0% in 2016 in terms of sales value. The Alcatel brand is ranked third in the home telephone segment in Europe with a market share of approximately 9.1% but only have an estimated market share of 0.3% in the business phone segment in 2016. As opposed to our competitors who are generally big-name electronic products companies, we have comparatively weaker financials and as such in the event we enter into a price war with them, we may not be able to compete with them.

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Our products face competition from products sold by competitors on the basis of several factors such as price, function as well as the fragmented market which has led to the increasing availability of home and business phone products in the retail market. In order to provide products that appeal to changing and increasingly diverse consumer preferences, and to overcome the fact that a relatively high percentage of consumers already possess products similar to those that we offer, we must develop to anticipate consumer tastes and rapidly develop attractive products with competitive selling prices. If we cannot efficiently develop and offer products at competitive prices or introduce new products with enhanced functions in a timely manner, our operating results and financial condition could be adversely impacted.

### **RISKS RELATING TO THE SHARE OFFER**

#### **An active trading market of the Shares may not develop or be sustained**

Prior to the Share Offer, there has been no public market for the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Share Offer. However, even if approved, being listed on the Stock Exchange does not guarantee an active trading market for the Shares following the Share Offer or that the Shares will always be listed and traded on the Stock Exchange. Our Group cannot assure that an active trading market will be developed or maintained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

#### **The liquidity, market price and trading volume of the Shares may be volatile**

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past. It is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

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## RISK FACTORS

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**Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall when the trading of our Offer Shares begins**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to take place about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time when trading begins.

**Investors will experience an immediate dilution if our Company issues additional Shares or other securities in the future**

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.15 per Share and approximately HK\$0.25 per Share based on the Offer Price of HK\$0.50 per Offer Share and HK\$0.90 per Offer Share, respectively.

Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of our Shareholders may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

In addition, our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

**Any options granted under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership**

Our Company may grant share options under the Share option Scheme in the future. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of our Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the combined statement of comprehensive income of our Group over the vesting periods of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.



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### **Future sales by existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares**

Our Shares held by our Controlling Shareholders are subject to a lock-up period beginning on the date on which trading in the Shares commences on the Stock Exchange. There is no assurance that our Controlling Shareholders will not dispose of their Shares after the lock-up period. Our Group cannot predict the effect, if any, of any future sales of our Shares by any substantial Shareholder or Controlling Shareholders, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholders may have on the market price of our Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of our Shares.

### **Laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions**

The rights of our Shareholders to take action against our Directors and the rights of our minority shareholders to take actions against us and the duties of our Directors toward us and our Shareholders are governed by the common law of the Cayman Islands and our Articles of Association. In general, our corporate affairs are governed by (amongst other things) the laws of the Cayman Islands, our Articles of Association and the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and in other jurisdictions. For further details, please refer to the section headed “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law – Protection of minorities and shareholders’ suits” in this prospectus.

## **RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS**

### **Statistics and facts in this prospectus have not been independently verified**

This prospectus includes certain statistics and facts that have been extracted from public sources or other sources. In addition, certain facts, statistics, and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government departments or independent third parties. Certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Frost and Sullivan, an independent market research agency. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. However, our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors nor any other parties involved in the Share Offer have independently verified or make any representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

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## RISK FACTORS

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**Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those disclosed in this prospectus. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.

**Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial objections, valuations or other forward-looking statements**

Prior to the publication of this prospectus, there may be press or media coverage and/or research analyst reports which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer had authorised the disclosure of such information in any press or media, neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness of any such information or publication. To the extent that any such information is not contained in this prospectus or inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in our Shares. You should rely on the information contained in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms, on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer, or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, and any of our or their respective directors, officers, agents, employees, advisers or representatives or any other person or party involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer", and the procedures for applying for the Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Application Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer, comprising the Public Offer and the Placing. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The Listing is

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement is expected to be entered into on the Price Determination Date. The Placing Shares will be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement to be entered into.

**If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on the Price Determination Date, the Share Offer will not proceed and will lapse.** For further information about the Underwriters and the underwriting arrangements, see the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Offer Shares will be required to, or by his/her/its acquisition of the Offer Shares will be deemed to, confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus and the relevant Application Forms and that he/she/it is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued (including the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) as mentioned in this prospectus on GEM.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Division.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the minimum prescribed percentage of 25% in the hands of the public (as defined in the GEM Listing Rules).

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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No part of our Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange. Only securities registered on the Hong Kong branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers regarding details of those settlement arrangement as such arrangements will affect their rights and interest.

### **DEALINGS AND SETTLEMENT**

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Friday, 19 January 2018. Our Shares will be traded in board lots of 5,000 each and are freely transferable. The stock code for our Shares is 8043. Our Company will not issue any temporary documents of title.

### **HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY**

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Estera Trust (Cayman) Limited at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Register, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

All of the Offer Shares issued by our Company pursuant to the Share Offer will be registered on our Company's Hong Kong branch register of members to be maintained in Hong Kong. Only Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's Hong Kong

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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branch register of members to be maintained in Hong Kong, by ordinary post, at our Shareholders' risk, to the registered address of each Shareholder or, in the case of joint holders, to the first-named holder therein in accordance with the Articles.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchasing, holding, disposing of, or dealing in, or exercise of any rights in relation to, the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, agents, advisers, employees, affiliates and/or representatives (where applicable) or any other persons or parties involved in the Share Offer accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set out in "How to Apply for Public Offer Shares" and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer including conditions of the Share Offer, are set out in "Structure and Conditions of the Share Offer".

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, amounts denominated in Euros and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$8.75: €1.00

HK\$7.80: US\$1.00

No representation is made that any amounts in €, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Application Forms and the Chinese translation of this prospectus and the Application Forms, the English version of the same shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Didier Paul Henri Goujard	House 47, 10th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	French
Mr. Jean-Alexis René Robert Duc	13 rue Tellier Freres – 78750 Mareil Marly, France	French
Ms. Ho Dora (何淑雯)	Flat D, 28/F, Tower 5, Lake Silver, Ma On Shan, Shatin, Hong Kong	Chinese
Mr. Long Shing (郎盛)	Flat 25A, Trafalgar Court, No. 70 Tai Hang Road, Hong Kong	Chinese
<i>Non-executive Directors</i>		
Mr. Long Hak Kan (郎克勤)	Flat 25A, Trafalgar Court, No. 70 Tai Hang Road, Hong Kong	Chinese
Mr. Long Fung (郎豐)	Flat 25A, Trafalgar Court, No. 70 Tai Hang Road, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Yiu Chun Kit (姚振傑)	Flat D, 27/F., Block 15, City One Shatin, Shatin, New Territories, Hong Kong	Canadian



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Ms. Lam Lai Ting Maria Goretti (林麗婷)	2B Wah Sen Court, 68 Conduit Road, Mid Levels, Hong Kong	Chinese
Ms. Chan Cheuk Man Vivian (陳卓敏)	Room 44B, 8/F, Broadway, Mei Foo Sun Chuen, Kowloon, Hong Kong	Australian

For further information on the profile and background of our Directors, please refer to the section headed “Directors, senior management and employees” in this prospectus.

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

#### **Lego Corporate Finance Limited**

Room 1601, 16/F,  
China Building  
29 Queen’s Road Central,  
Hong Kong  
*(a corporation licensed to carry out Type 6  
(advising on corporate finance) regulated  
activity under the SFO)*

#### Sole Bookrunner and Sole Lead Manager

#### **First Shanghai Securities Limited**

*A corporation licensed to carry out Type 1  
(dealing in securities) regulated  
activity under the SFO*  
19/F, Wing On House,  
71 Des Voeux Road Central,  
Central,  
Hong Kong

#### Co-manager

#### **Orient Securities (Hong Kong) Limited**

*A corporation licensed to carry out Type 1  
(dealing in securities) regulated  
activity under the SFO*  
28th and 29th Floor,  
100 Queen’s Road Central,  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Legal advisers to our Company

*As to Hong Kong law:*

**CFN Lawyers in association with  
Broad & Bright**

Room 4101 to 4104, 41st Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wan Chai  
Hong Kong

*As to certain aspects of Hong Kong Law:*

**Mr. Leung Wai-Keung, Richard  
Des Voeux Chambers**

38th Floor, Gloucester Tower  
The Landmark  
Central  
Hong Kong

*As to Cayman Islands law:*

**Appleby**

2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Spanish law:*

**Iván Pérez Hernando**

Lawyer ICAM 87-175  
C/Santa Cruz de Marcenado  
N31, 1, P. 19  
CP 28015  
Madrid  
Spain

*As to French law:*

**Baudouin Gogny-Goubert**

Avocats à la cour  
85, boulevard malesherbes  
75008 Paris  
France

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*As to PRC law:*

**Shu Jin Law Firm**

12/F, Taiping Finance Building  
6001 Yitian Road,  
Futian District, Shenzhen  
Guangdong Province, China

*As to Mexican Law:*

**Counselors International Abogados, S.C.**

Paseo Triunfo de la  
República #3340  
Segundo Piso  
Edificio Atlantis  
Col. Partido Escobedo  
Ciudad Juárez  
Chihuahua, Mexico 32330

*As to Swiss Law:*

**Des Gouttes & Associés**

4, avenue de Champel  
CH-1206, Geneva, Switzerland

*As to International Sanctions law:*

**Hogan Lovells**

11th Floor  
One Pacific Place  
88 Queensway  
Hong Kong

**Legal advisers to the Sole Sponsor and  
Underwriters**

*As to Hong Kong law:*

**Pinsent Masons**

50th Floor  
Central Plaza  
18 Harbour Road  
Hong Kong

**Reporting accountant**

**PricewaterhouseCoopers**

Certified Public Accountants  
22nd Floor, Prince's Building  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Receiving bank**

**Industrial and Commercial Bank of  
China (Asia) Limited**  
33/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**Industry Consultant**

**Frost & Sullivan International Limited**  
Room 1706  
One Exchange Square  
Central, Hong Kong

**Compliance adviser**

**Lego Corporate Finance Limited**  
Room 1601, 16/F  
China Building  
29 Queen's Road Central  
Hong Kong  
*(a corporation licensed to carry out Type 6  
(advising on corporate finance) regulated  
activity under the SFO)*

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## CORPORATE INFORMATION

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<b>Registered office</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	Unit 2208, 22/F Delta House 3 On Yiu Street Shatin Hong Kong
<b>Company secretary</b>	Ms. Ho Dora Room D, 28th Floor Block 5, Lake Silver 599 Sai Sha Road Ma On Shan New Territories, Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Didier Paul Henri Goujard House 47, 10th Street Hong Lok Yuen Tai Po New Territories, Hong Kong  Ms. Ho Dora Room D, 28th Floor Block 5, Lake Silver 599 Sai Sha Road Ma On Shan New Territories, Hong Kong
<b>Compliance officer</b>	Ms. Ho Dora Room D, 28th Floor Block 5, Lake Silver 599 Sai Sha Road Ma On Shan New Territories, Hong Kong
<b>Audit committee</b>	Ms. Lam Lai Ting Maria Goretti ( <i>Chairman</i> ) Mr. Yiu Chun Kit Ms. Chan Cheuk Man Vivian

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## CORPORATE INFORMATION

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<b>Remuneration committee</b>	Mr. Yiu Chun Kit ( <i>Chairman</i> ) Ms. Lam Lai Ting Maria Goretti Ms. Chan Cheuk Man Vivian
<b>Nomination committee</b>	Mr. Long Hak Kan ( <i>Chairman</i> ) Mr. Yiu Chun Kit Ms. Chan Cheuk Man Vivian
<b>Risk management committee</b>	Mr. Didier Paul Henri Goujard ( <i>Chairman</i> ) Ms. Chan Cheuk Man Vivian Ms. Lam Lai Ting Maria Goretti
<b>Principal share registrar and transfer office in the Cayman Islands</b>	<b>Estera Trust (Cayman) Limited</b> P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Branch share registrar and transfer office in Hong Kong</b>	<b>Tricor Investor Services Limited</b> Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>The Hong Kong and Shanghai Banking Corporation Limited</b> 1 Queen's Road Central Central Hong Kong
<b>Company's website</b>	<u><a href="http://www.atlinks.com">www.atlinks.com</a></u> ( <i>Information contained in this website does not form part of this prospectus</i> )

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## INDUSTRY OVERVIEW

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*This and other sections of this prospectus contain information and statistics relating to our industry and related industry sectors, some of which have been derived from official governmental data. We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. Such information and statistics have not been independently verified by us, the Sole Sponsor, or any party involved in the Share Offer and Capitalisation Issue and no representation is given as to their accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the home and business phone market in Europe and Latin America. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$430,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the home and business phone market in Europe and Latin America for the prospective investors. The Frost & Sullivan Report includes information on the home and business phone market in Europe and Latin America as well as other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the home and business phone market. Primary research involved in-depth interviews with leading industry participants and Frost & Sullivan. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the home and business phone market in Europe and Latin America.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF TELECOMMUNICATIONS DEVICE MARKET

#### Introduction of Home and Business Phone

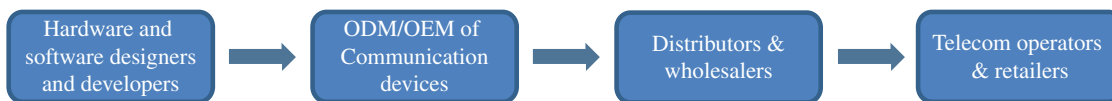
Telephone, a type of telecommunications device, can be divided into home phone, business phone and mobile phone. Below sets forth the characteristics of different telephone systems, namely analogue, voice over internet protocol (“**VoIP**”) and private branch exchange (“**PBX**”). In general, majority of home phones are using analogue systems while business phones typically refer to those using PBX and VoIP systems.

- **Analogue:** Analogue systems, or Plain Old Telephone Service (“**POTS**”) phones, support the traditional standard phones, fax machines and modems which are the typical phones found in homes. They have been around for decades and carry the basic features such as hold, mute, redial and speed dial.
- **Private branch exchange:** A PBX telephone system is typically used in a larger business environment. It is a private telephone network within a company which allows internal and external communications. It allows more phones than physical phone lines and are available as Hosted or Virtual solutions (Centrex solutions).
- **Voice over Internet Protocol:** Instead of the traditional public switched telephone network (“**PSTN**”), VoIP phones place telephone calls over an IP network, such as the Internet. Digital IP-based telephone service uses control protocols and the Session Initiation Protocol (“**SIP**”) is the most common protocol used in VoIP technology.

The International Telecommunications Union (“**ITU**”) implemented the H.323 standard where vendors should comply while providing VoIP service. This recommendation provides the technical requirements for voice communication over local area network (“**LAN**”) while assuming that no quality of service (“**QoS**”) is being provided by LANs. The standard encompasses both point to point communications and multipoint conferences. The products and applications of different vendors can interoperate if they abide by the H.323 specification. In general, the life cycle of home and business phones is usually 12 to 36 months.

#### Value Chain

Set out below is the value chain of home and business phone market and the key processes involved:



Source: Frost & Sullivan

It is an industry norm for telecommunications product providers to engage a limited number of distributors in the same country region to avoid cannibalisation and competition among distributors. Furthermore, the seller/buyer relationship between telecommunications product providers and distributors is a common business model in the telecommunications product distribution industry.



## INDUSTRY OVERVIEW

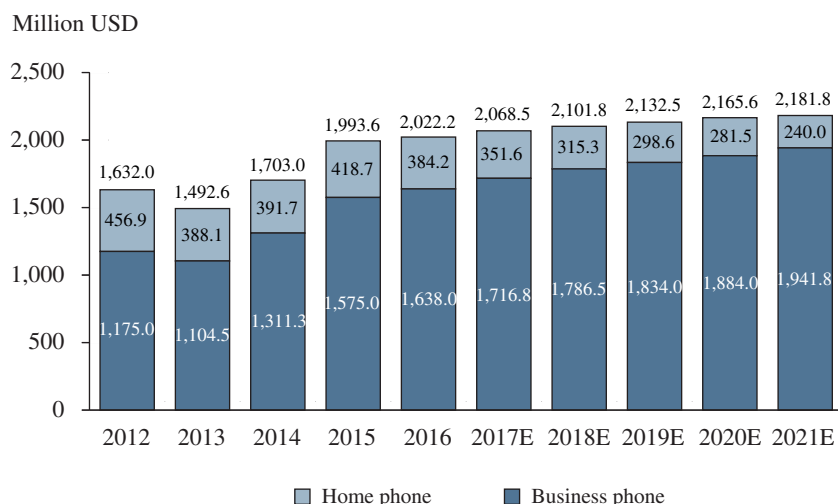
Our Group is mainly engaged in design, development and sales of telecommunications products including (i) home phones and (ii) business phones, under the Alcatel brand and Swissvoice brand to retailers, telecom operators and distributors, which targets mainly in European and Latin American markets. For the six months ended 30 June 2017, approximately 84.7% of revenue of our Group was generated from sales of home phone while our Group intends to strengthen the development of business phones and smart home products, particularly in elderly telecommunications products as part of its expansion plan in future.

### OVERVIEW OF HOME AND BUSINESS PHONE MARKET IN EUROPE

#### Market Size

Compared with North American market with higher adoption to advanced technology, the European market is more traditional and conservative. However, the European region has displayed strong signals of SIP phone adoption. While customers tend to prefer whole solutions from larger, better known vendors, price considerations are opening the door for different SIP phone vendors to sell their solutions. Additionally, more carriers in Europe are beginning to offer SIP-based bundled services. From 2012 to 2016, the aggregated sales value of home and business phone in Europe increased from approximately USD1,632.0 million to approximately USD2,022.2 million, growing at a CAGR of approximately 5.5%, which was driven by the increasing adoption of SIP phones in business segment. It is expected that the aggregate sales value of home and business phone will reach USD2,181.8 million by the end of 2021, with a slower growth at a CAGR of approximately 1.3% between 2017 and 2021. The slowdown in the total growth for the coming years was due to decline in the home phone segment at a CAGR of -9.1% from 2017 to 2021, which is caused by the highly saturated home phone market in Europe and price competition.

#### Market Size of Home and Business Phone by Sales Value (Europe), 2012-2021E



CAGR	2012-2016	2017E-2021E
Total	5.5%	1.3%
Home phone	-4.2%	-9.1%
Business phone	8.7%	3.1%

Source: Frost & Sullivan

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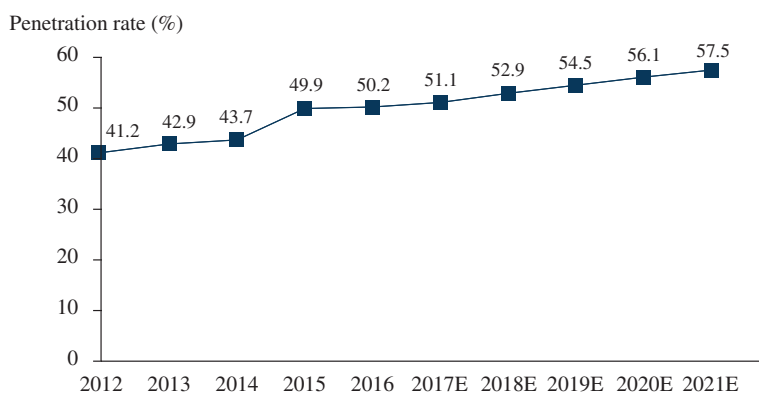
## INDUSTRY OVERVIEW

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### Penetration rate of VoIP

VoIP is a fast-growing telephone system in Europe. With more competitive broadband service providers such as France's Free and Talk Talk in the United Kingdom offering flat-rate voice plans over their high-speed pipes and wireless carriers, Europe is emerging as one of the regions where VoIP has played a more important role. Driven by rising demand for collaboration through telecommunications in business environment, technological development in the area of network infrastructures, VoIP penetration in Europe has increased from 41.2% in 2012 to 50.2% in 2016. It is estimated that it will reach 57.5% by the end of 2021. The higher VoIP penetration in Europe is expected to drive the demand for SIP phone in the region.

**VoIP Penetration (Europe), 2012-2021E**



Source: Frost & Sullivan

### Market Drivers

The overall telecommunications products market consists of home phone and business phone segments. Key market drivers of home phone segment in Europe include promotional effort by retailer and telecom operators and population growth, while key market drivers of business phone segment in Europe include expansion of business sector in Europe and the need for real-time collaboration and unified communications. The telecommunications products market in Europe is also driven by the increasing demand for specialty phone.

Below sets out the key market drivers of home phone segment in Europe:

#### *Promotional effort by retailer and telecom operators*

The home phone market is considered as a competitive market where retailers are offering home phone products at a competitive price to maintain their sales performance. Meanwhile, telecom operators also offer discounted or free home phone products in bundles or packaged telephone plans.

#### *Population growth*

According to the International Monetary Fund, the population in Europe had recorded a steady growth from 842.7 million in 2012 to 852.2 million in 2016 at a CAGR of 0.3% and it

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## INDUSTRY OVERVIEW

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is expected to reach 862.1 million in 2021. As fixed line phone is generally considered as a necessity at home, steady population growth in Europe, to a certain extent, guarantees the user base of home phone products in the European market.

Below sets out the key market drivers of business phone segment in Europe:

### *Expansion of business sector in Europe*

According to European Central Bank, the unemployment rate (as a percentage of labour force) in Euro area has recorded a decline from approximately 11.9% as in the end of 2012 to approximately 9.3% as in May 2017. The percentage change in labour productivity has also seen a growth from -0.5% as in the end of 2012 to approximately 0.4% as in the end of March 2017. The lower unemployment and positive growth of labour productivity indicated that the business sector is on a trend of recovery and meanwhile the demand for supplies and equipment, including business phone products, is expected to increase in future.

### *The need for real-time collaboration and unified communications*

Real-time collaboration is highly emphasised in today's business environment, given that many businesses occurred at a distant location from the customers. Hence, collaboration technologies, including video calls, drive the development and growth of SIP technologies. In addition, within a company, employers and employees need to have connection channels to link to each other. Many proprietary IP phones failed to interoperate with an open standard system. This has encouraged the development of interoperable, more open standard SIP phone systems and devices. Moreover, unified communications such as VoIP, unified messaging, instant chat and conferencing play an important role in driving SIP demand. In Europe, VoIP operators are regulated by each member state's national telecommunications regulator to make sure they meet the requirements to provide emergency call access and number portability between traditional PSTN and VoIP services. This also sets the standards and helps drive the growth of integrated phone services. Our Group has developed a range of SIP phones and the development in business phone segment is expected to be strengthened in future.

### *Increasing demand for specialty phone*

With the rising expectancy in developed countries, the aging population is increasing rapidly. Specially designed communication devices such as home phones for elderly are in demand for the growing aging population. According to Pew Research Center and United Nations Population Division World Population Prospects, the share of population aged 65 or older in Europe is expected to increase from approximately 16% in 2010 to approximately 27% in 2050 and Europe is set to become the region with highest share of population aged 65 or older by the same time. In addition, according to Eurostat, there were 31.4% and 37.0% of elderly living alone in EU-28 countries and in France respectively in 2014. Moreover, specially designed communication devices market for consumer with disability such as visually or hearing impaired would also be a growth opportunity for major brands of home phones.

### **Market Constraints**

#### *Relatively higher prices of hardware desk phones*

At the moment, many companies are still using the traditional hardware desk phones. However, a desk phone is relatively pricy compared to a softphone (software telephone) using

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## INDUSTRY OVERVIEW

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internet network i.e. VoIP as it requires additional cables and operational overhead for maintenance. In opposite, a softphone that relies on software and network could be a cost-effective alternative.

### *Alternatives to phone terminals*

It is seen that softphones offer tangible benefits over desk phones in terms of overhead costs and installation flexibility. For example, desktop administrators can quickly install an application for internet phones on users' computers with a headset connected and thus without the need to purchase a terminal. Hence, such alternatives to home and business phones may pose threats on desktop hardware phones which are considered as a cost item to enterprise.

The impact of the increasing mobile penetration on the global sales of home phones has been increasingly evident. Global mobile penetration has surged from about 53% in 2012 to about 62% in 2016, showing that more than 60% of the world's population used a mobile phone for the past five years. According to Frost & Sullivan, with the growing demand for mobile phones, the global shipment volume of mobile phones witnessed steady growth from approximately 1,696.2 million units in 2012 to approximately 1,948.2 million units in 2016. Therefore, the increase in mobile phone penetration along with the rise in shipment volume of mobile phones has affected the sales of home phones as home phones can be substituted by mobile phones.

Although mobile phone service has been improving over the years, there is still a strong global user base for landlines of over 900 million global fixed line subscriptions in 2016 as landline phone (i.e. home phone and office phone) is still more reliable in terms of connections and clear reception than mobile phone. It is particularly important for emergencies situation where clear reception is needed and landline phone can also provide a fixed position that emergency responders can locate accurately.

Moreover, for landline phone, the data is transmitted via a fixed medium, whereas the data is transmitted freely through the air via radio wave for mobile phone which can be intercepted with special equipment. Thus, landline phones provide better security over mobile phone as a bugging device will have to be planted physically in the phones or phone wires.

Despite the technology advancement of mobile phone and internet service, business phone is still a necessity in business context, as companies nowadays still depend heavily on landline phones in offices for its clear reception and reliable connectivity.

For household, there is still a steady demand for landline phone, especially for kids and elderly. In many families, when the children are not ready for mobile phones, parents would set up multiple landline devices in the home to let them stay connected and place calls in emergencies. Also, landline phones are set up for the elderly in many homes who have adapted to using landline phones.

### **Market Trend**

#### *Increasing number of full-service providers*

The intensity of SIP competition, which has led to eroding margins, and new services has created a demand for full-service SIP providers. While many of them may use another

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## INDUSTRY OVERVIEW

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provider's network, this is often unimportant to the customer. Full-service providers (such as Gigaset) designs and manufactures a broad portfolio of products and solutions, services including network, customer care and technical services, and software of value to the SIP customer. They began developing channel strategies and new growth solutions to the SIP customers. Thus, it is expected to see a greater number of full-service providers in the coming years. However, the number of providers is limited in several countries by laws that protect local existing operators who are often a state company.

### *The future of desk phones*

Despite the increasing number of offices using softphones, desk phones is not going to disappear given the strong reliance on hardware phones and reluctance to switch to softphones by the majority of businesses. Rather than disappearing, the business desk phone is changing roles. Many unified communications vendors, such as Aastra and Cisco, are offering desk phones that also support voice recognition, audio and native video conferencing, while some vendors (e.g. NEC) see tablets as a new type of device supplementing laptops and desk phones.

### *Cloud integration with enterprise software*

Many organizations are shifting towards SaaS (software as a service), applications hosted by a third-party provider and making it available to customers over the internet, for various departments and requirements such as accounting, customer relationship management (CRM) and call centre. With the increasing dependence on cloud platform, service providers are integrating their VoIP systems with other cloud-based application services. Unlike analog phone lines, these services and their phone system are delivered over data networks. As the VoIP industry continues to grow, these integrations will quickly become a necessity.

### *Integration between VoIP and Internet of Things*

Internet of Things (“IoT”) has been growing considerably over the last couple of years. It is able to connect physical devices to exchange data with other networked objects. In the future, smart office will be a reality where employees will be able to customise their workplaces, desk phones and adjust lights from their VoIP phones. The integration between VoIP and IoT will only accelerate as telecommuting, remote working and shared office spaces become the norm.

## OVERVIEW OF HOME AND BUSINESS PHONE MARKET IN LATIN AMERICA

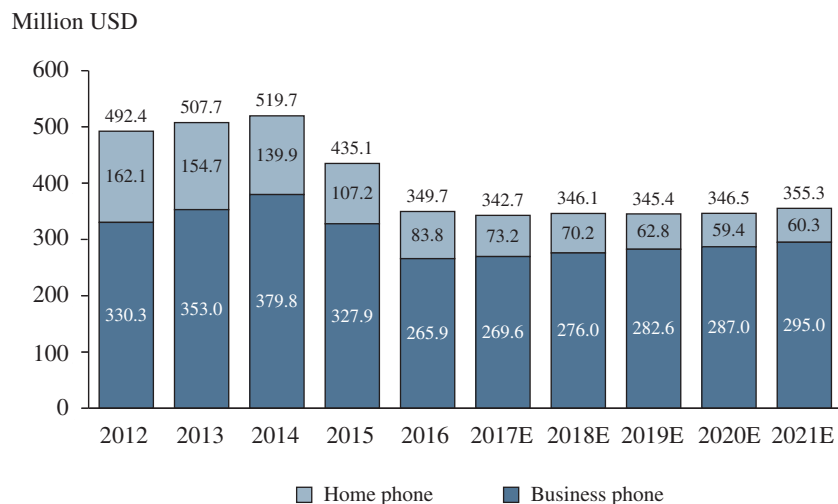
### **Market Size**

The aggregate sales revenue of home and business phones in Latin America has decreased from approximately USD492.4 million in 2012 to approximately USD349.7 million in 2016 at a CAGR of approximately -8.2%, which was mainly due to the negative economic growth between 2015 and 2016 in most major countries such as Brazil, Argentina and Mexico dragging Latin America in recession. It is expected that the aggregate sales value of home and business

## INDUSTRY OVERVIEW

phones would increase to USD355.3 million in 2021 at a CAGR of approximately 0.9% from 2017 to 2021 as Latin America is expected to gradually recover from recession in 2017 with improving infrastructure and strengthening business environment in the region. Specifically, the Brazilian government has set to have 95% of fiber coverage in the country by 2019 under the National Broadband Plan, which may potentially support the VoIP penetration and demand for SIP phone.

### Market Size of Home and Business Phones by Sales Value (Latin America), 2012-2021E



	CAGR	2012-2016	2017E-2021E
Total		-8.2%	0.9%
Home phones		-15.2%	-4.7%
Business phones		-5.3%	2.3%

Source: Frost & Sullivan

### Market Drivers

#### *Burgeoning economies in Latin America*

Latin America has become an increasingly important part of the global economy. The economies are set to recover from recession in the past two years with increasing global demand, growing household incomes and private consumption in major Latin American countries such as Brazil, Argentina, and Mexico etc. The burgeoning economies have provided growth momentum for business incorporated from overseas and new businesses in the region which has driven the demand of business communication devices such as phone terminals.

#### *Improving communication infrastructure*

Infrastructure is essential for economic development while the inadequate communication infrastructure in Latin America has restrained the economy growth potential. The expansion of emerging economies in Latin America has fostered the development of communication infrastructure to meet the increasing demand in domestic and international trade and thus drive

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## INDUSTRY OVERVIEW

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the penetration rate of telecommunications devices. The home and business phone market is therefore driven by the improving communication infrastructure in the region.

### *Rise of specialty phone*

Similar to Europe, countries in Latin America are also facing the challenge of aging population. The proportion of elderly in the region has seen a continuous growth and the trend is likely to continue, which is mainly attributable to better healthcare and increase in life expectancy. The increasing aging population may contribute to the growth of specialty phone as elderly may rely on such products for communication.

### **Market Constraints**

#### *Trade relations with the United States*

The United States has a huge economic influence to Latin America underpinned by a number of free-trade agreements in the region with increasing number of exports of goods and services in the recent years. However, the new governance in the United States has begun to put pressure on trade flows between the United States and Mexico. Therefore, the direction of the United States government towards Latin American policy poses as a potential market restraint to the Latin American economy. The communication devices market in Latin America would thus be affected by the trade relations with the United States.

#### *Political uncertainty and limitation in technology*

The political uncertainty due to the rampant competition between political parties in various countries such as Argentina, Brazil, Venezuela, Ecuador etc. is one of the major reasons of the poor economic development in the recent years. The business environment would potentially be worsened by the reduced foreign investment and thus affect the economic growth in Latin America. The communication devices market in Latin America would thus be affected by the political uncertainty in the region. On the other hand, due to limitation in infrastructure and technology, the adoption of advanced telephone systems in business environment is still lagging behind when compared with other developed economies such as Europe and the United States.

### **Market Trends**

#### *Booming e-commerce*

Although the internet penetration and online shopping adoption rates in Latin America is still far below the developed countries, it is retaining high potential for further adoption of business-to-consumer (“**B2C**”) e-commerce. The booming e-commerce market allows consumers in Latin America to have access to more product information on communication devices and thus contribute to the growth of sales. On the other hand, the vendors of the communication devices have continued their growth momentum by expanding the product types and segments to meet diversified needs of client in the region whilst diversifying the sales channel.

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## INDUSTRY OVERVIEW

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### *Increasing number of software companies*

With the development of emerging economies in Latin America, a great market potential for economic growth is shown across a variety of industries, in particular, banking and finance sector in the more developed regions which has a high demand for the united communication solution and the corresponding communication devices. Thus, increasing number of international communication software and hardware companies offering unified communication solution and hardware have entered the market in order to capture the growing demand for communication software and hardware market.

### COMPETITIVE LANDSCAPE OF HOME AND BUSINESS PHONE MARKET IN EUROPE

#### Overview

The home and business phone market in Europe is concentrated and dominated by a few large brands. Some of these brands also engage in the design and manufacturing of home and business phones products. Market players may have specific focus on certain product line. For example, Brand E focus on development and sales of business phone while Brand A focus on home phone segment with a relatively small revenue generated from business phone segment. In 2016, it is estimated that there are more than 200 active market players in the home and business phone which have established presence in the European market.

In terms of sales value, the top five home phone brands in Europe accounted for an aggregated market share of approximately 61.1% in 2016. Brand A was the leading home phone brand in Europe with an estimated market share of approximately 25.7% in 2016, followed by Brand B with a market share of approximately 13.8%. Alcatel brand ranked third in the home phone segment in 2016 in Europe with a market share of 9.1%. In the business phone segment, Brand E was the leading player with a market share of about 30.7% in Europe in 2016, followed by Brand F (14.1%) and Brand G (3.2%). The total market share of the top five market players in this segment accounted for approximately 52.0% in 2016. Alcatel brand has an estimated market share of 0.3% in business phone segment in 2016 in Europe.

In 2016, Alcatel brand had a market share of approximately 2.0% in the overall home and business market in Europe.

Ranking of Home Phone Brand in Europe by Sales Value, 2016				Ranking of Business Phone Brand in Europe by Sales Value, 2016			
Rank	Brand	Estimated sales value in the home phone segment (USD million)	Estimated market share (%)	Rank	Brand	Estimated sales value in the business phone segment (USD million)	Estimated market share (%)
1	Brand A	98.9	25.7%	1	Brand E	502.2	30.7%
2	Brand B	53.2	13.8%	2	Brand F	231.0	14.1%
3	Alcatel brand	35.1	9.1%	3	Brand G	52.6	3.2%
4	Brand C	33.8	8.8%	4	Brand H	47.7	2.9%
5	Brand D	14.3	3.7%	5	Brand A	18.5	1.1%
	<b>Top five total</b>	<b>235.3</b>	<b>61.1%</b>		<b>Top five total</b>	<b>852.0</b>	<b>52.0%</b>
	<b>Other</b>	<b>148.9</b>	<b>38.9%</b>		<b>Other</b>	<b>786.0</b>	<b>48.0%</b>
	<b>Total sales revenue</b>	<b>384.2</b>	<b>100.0%</b>		<b>Total sales revenue</b>	<b>1,638.0</b>	<b>100.0%</b>

Source: Frost & Sullivan



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## INDUSTRY OVERVIEW

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### **Factors of Competition**

#### ***Switching cost***

Switching cost arises when consumers, especially for business phone consumers, switch their supplier of the telecommunications device as the device is often part of the telecommunications service package. The switching cost of the consumer incurs also include intangible costs such as time and effort invested in using the communication products. The larger companies usually try to employ strategies that incur higher switching costs to reduce rivalry and strengthen their market shares.

#### ***Business Relationship***

Major market players typically have good business relationship with telecommunications network service operators and their upstream suppliers to support their well-developed supply chain. The successful home and business phone providers have better comparative advantage with better market knowledge and understanding on the global business operations.

#### ***Price Competition***

In the intense competition in the home phone market in Europe, the larger market players have been competing in terms of prices so as to gain market share and eliminate the weaker players who cannot survive in the competition.

### **Entry Barriers**

#### ***Brand recognition and preference***

Currently, there are a variety of established brands of home and business phone in Europe while existing or potential customers, including consumers and corporate clients, generally have a preference towards products under the renowned brands due to good reputation, feedback from users, better quality and more comprehensive after-sales service. On the other hand, telecommunications operators also show a similar preference of sourcing phone products from reliable and established brand owners and manufacturers as existing players usually demonstrate a good understanding towards clients' requirements on product design, specification and licenses. Hence, new market participants may not be able to establish their brand names in a short period of time.

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## INDUSTRY OVERVIEW

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### *Industry knowledge and requirement*

Design, production and sales of telephone products require industry-specific knowledge on research and development, understanding of standards and requirements as well as identifying channels for sales and distribution of products. In particular, the production and distribution of home and business phones are required to comply with different trade regulations at international level and regional level as well as licensing, certification, safety and environmental requirements. Meanwhile, the use of fixed and wireless telecommunications devices and services are subject to regulation under European Commission (“EU”) (e.g. EU regulatory framework for electronic communications). Thus, new entrants without capability of producing qualified communication devices are difficult to sell their products in the region.

### *Stakeholders’ relationship*

The home and business phone market involves different stakeholders including manufacturers (OEM) and customers. Existing market participants are generally in a good business relationship with these stakeholders through a long-term partnership and reputation. In particular, a good relationship with major customers including retailers, telecommunications operators are considered as pre-requisite in the industry. Therefore, new entrants without a good relationship with stakeholders may hinder their expansion in the industry.

## COMPETITIVE LANDSCAPE OF HOME AND BUSINESS PHONE MARKET IN LATIN AMERICA

### **Overview**

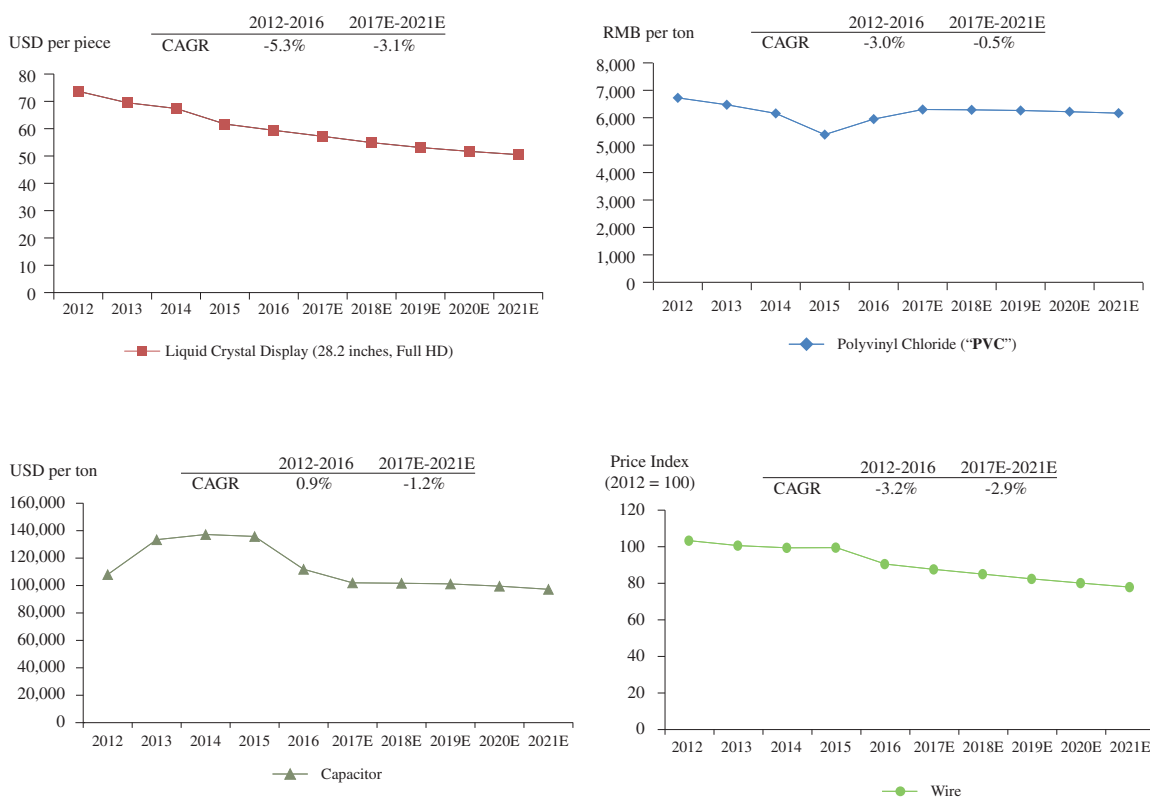
The home and business phone market in Latin America is a competitive and fragmented market comprising a number of international brands such as Cisco, Panasonic and Philips and Latin American brands such as Intelbras and Multitoc in the region. The rapid growth in mobile devices in Latin America has hindered the growth of the home phone in the household market. The home and business phone market players are competing in corporate telecommunications equipment and services market with the growing number of VoIP service providers businesses in Latin America. In 2016, Alcatel brand had a market share of approximately 3.9% in the overall business and home phone market in Latin America.

Entry barriers to home and business phone market include brand recognition, competitive pricing, and adaptability to Latin American market. The home and business phone providers compete with each other in terms of price and adaptability in the market which poses as a threat to the new market entrants of reducing profit margins due to the fierce price competition. Also, Latin America brands enjoy an innate business advantage of brand recognition as they have better market knowledge in the region which allows them to adapt swiftly to the changing consumer preferences. Thus, the brand recognition and loyalty of the Latin America brands generally enjoys a higher switching cost than the foreign brands.

## INDUSTRY OVERVIEW

### COST STRUCTURE ANALYSIS

Liquid crystal displays (“LCD”), plastic materials such as polyvinyl chloride (“PVC”), chips, capacitor and wires are common raw materials for home and business phones manufacturing. As set out in the charts below, the price of LCD, PVC and wire in the PRC has demonstrated an overall decline during the past five years from 2012 to 2016, while price of capacitor in the PRC has shown a fluctuation with a moderate growth during the same period. Overall the aforementioned materials may experience a decline in price due to higher availability during forecast period. As the manufacturing process of our Group are outsourced to OEM, the decrease in materials cost may imply the lower expenditure of manufacturers.



Source: WIND, Frost & Sullivan

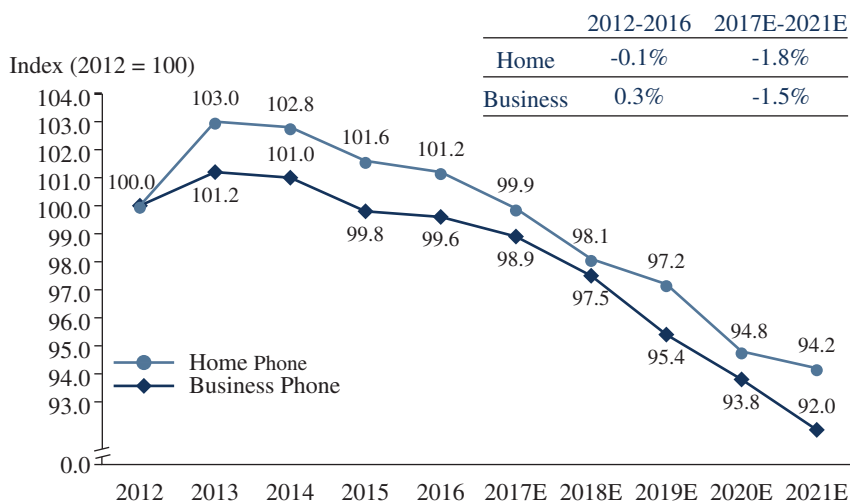
### PRICE TREND OF HOME AND BUSINESS PHONE IN EUROPE AND LATIN AMERICA

Price of home and business phone in Europe has recorded a weak growth at a CAGR of 0.1% from 2012 to 2016 due to higher availability of home and business phone and weak European economy during 2015 to 2016. As price wars between major brands in retail market may continue, price of home and business phone is expected to drop at a CAGR of -1.6% from 2017 to 2021 in Europe. Similarly, price of home and business phone in Latin America has witnessed a negative growth at a CAGR of -2.5% from 2012 to 2016, mainly attributable to the higher availability and economic recession during 2015 to 2016. During 2017 to 2021, price of home and business phone in Latin America is expected to continue the declining trend at a CAGR of -1.8%.

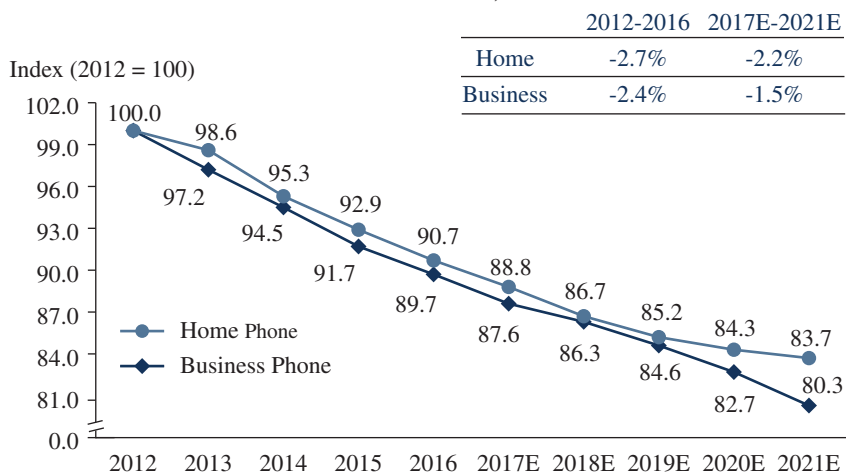
## INDUSTRY OVERVIEW

Price of home phone in Europe recorded a slight drop at a CAGR of -0.1% whereas price of business phone has a weak growth at a CAGR of 0.3% during 2012 to 2016. On the other hand, price of home phone and business phone in Latin America has recorded a decrease at CAGRs of -2.7% and -2.4% from 2012 to 2016 respectively. During 2017 to 2021, price of home phone in Europe and Latin America are expected to decline to a larger extent than business phone due to more fierce price war in retail market which is the major sales channel of home phone.

**Price Trend of Home and Business Phone  
In Europe, 2012-2021E**



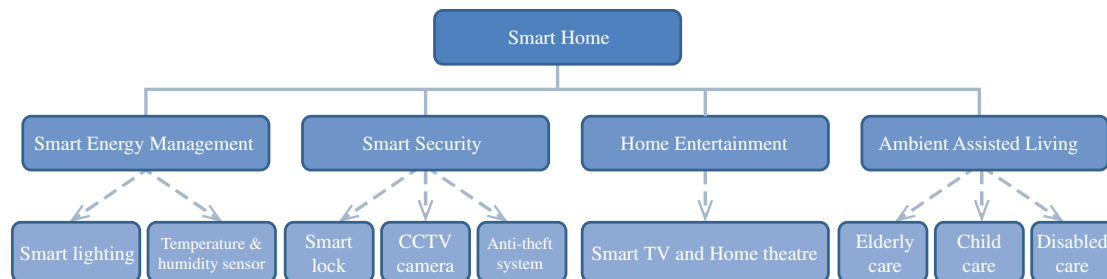
**Price Trend of Home and Business Phone  
In Latin America, 2012-2021E**



Source: Frost & Sullivan

### OVERVIEW OF SMART HOME PRODUCTS MARKET IN EUROPE

#### Introduction



Source: Frost & Sullivan

Smart home is a broad term to describe a convenient setup where appliances and devices can be remotely controlled to achieve energy efficiency, automation, safety and security. It mainly consists of smart energy management, smart security, home entertainment and ambient assisted living products. In general, the life cycle of smart home products is usually 6 to 18 months due to rapid technological advancement.

1. **Smart energy management** involves the control and monitoring of electricity usage to reduce energy use and costs. Common products are smart lighting products, smart meters, temperature and humidity sensors etc.
2. **Smart security** includes a wide range of products and systems such as smart locks, alarms, close-circuit television (“CCTV”) and anti-theft systems etc.
3. **Home entertainment** mainly consists of smart TVs and home theatre systems, which are the most popular products recently.
4. **Ambient assisted living (“AAL”) products** are targeted at consumers with special needs such as elderly, children and the disabled. Some examples of the products include movement sensors for the elderly, CCTV cameras for monitoring babies and kids and home automation devices for the disabled.

#### Characteristics of Elderly Telecommunications Products

In the telecommunications market, there is a wide variety of phone products catering the elderly needs to make their lives easier. The elderly telecommunications segment is part of elderly care products under AAL, which is the concept to improve quality of living by combining new technologies, products and services. Apart from helping them stay connected with family and friends, these products are also designed for elderly with hearing loss, low vision, memory loss and limited mobility etc. These phones mainly carry features such as bigger buttons and screens, adjustable volume, speed dial buttons with large pictures showing the persons they wish to contact, which are different from the conventional phone with small labels, buttons and complicated features that may lead to confusion of elderly. Meanwhile, cordless phones are good for seniors who have difficulty in getting to the phone. Other

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## INDUSTRY OVERVIEW

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products such as web cameras and medical alerts help family members keep track of the safety of their seniors and call for first-aid assistance in an emergency. Core benefits of using elderly telecommunications includes (i) facilitating independent living of elderly and (ii) strengthening their communication with families, friends and (iii) provision of remote care to elderly.

In general, elderly care telecommunications products comprising following product types with different features, based on the specific needs of elderly:

- (i) For elderly with hearing loss – Adjustable volume, ringer control, additional speaker and some may equipped with hearing aids with bluetooth technology.
- (ii) For elderly with impaired vision – Large buttons, voice confirmation that repeats number being dialed, large screen display, auditory message indicator and speed dial with large pictures for frequently called numbers.
- (iii) For elderly with memory loss – Reminder function for taking medications, appointments. Pre-set display with respective pictures of frequently called number.
- (iv) For elderly with limited mobility – Cordless phone enables elderly with difficulty in movement to pick up phones in time. Cellphones with special design for elderly such as large screens, buttons and emergency buttons, calendar with medical alerts.
- (v) Other devices such as IP cameras enable elderly to maintain their social lives through communication with their families and friends via online channel.

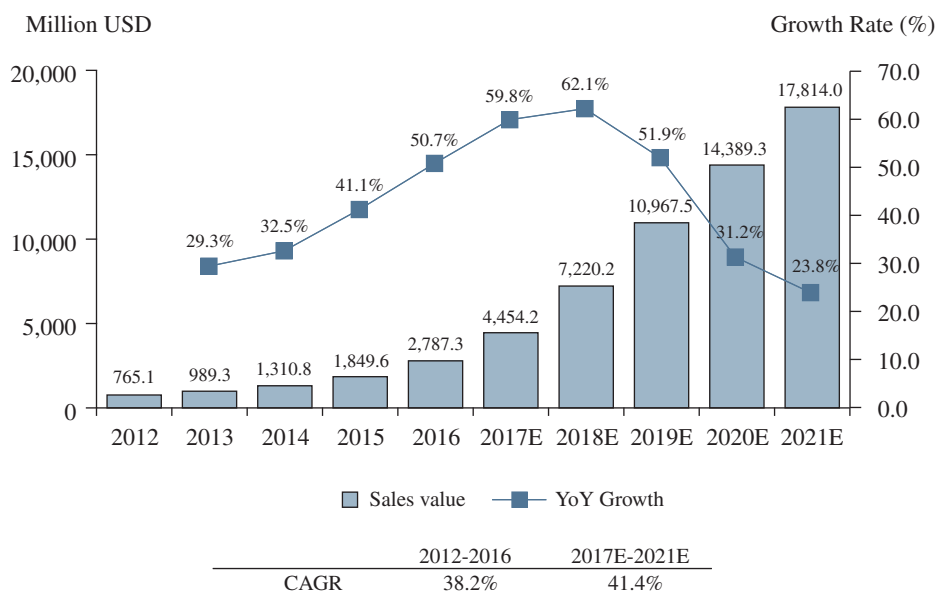
Our Group is engaged in development and sales of smart home products such as home cameras and elderly telecommunications products.

### **Market Size of Smart Home Products**

Smart home products had seen an increasing penetration in Europe during 2012 to 2016 due to falling cost of mobile broadband and cloud infrastructure as well as the emergence of IoT. Smart home products are mostly used in high-end residential and offices as it is still considered luxurious at present. In Europe, sales value of smart home products increased significantly from approximately USD765.1 million in 2012 to approximately USD2,787.3 million in 2016, growing at a CAGR approximately of 38.2%. For the next five years from 2017 to 2021, sales value of smart home products is estimated to reach approximately USD17,814.0 million by 2021. Changing living style and growing consciousness on energy saving will further drive the smart home products market in Europe and household penetration is expected to reach about 20% in 2021.

## INDUSTRY OVERVIEW

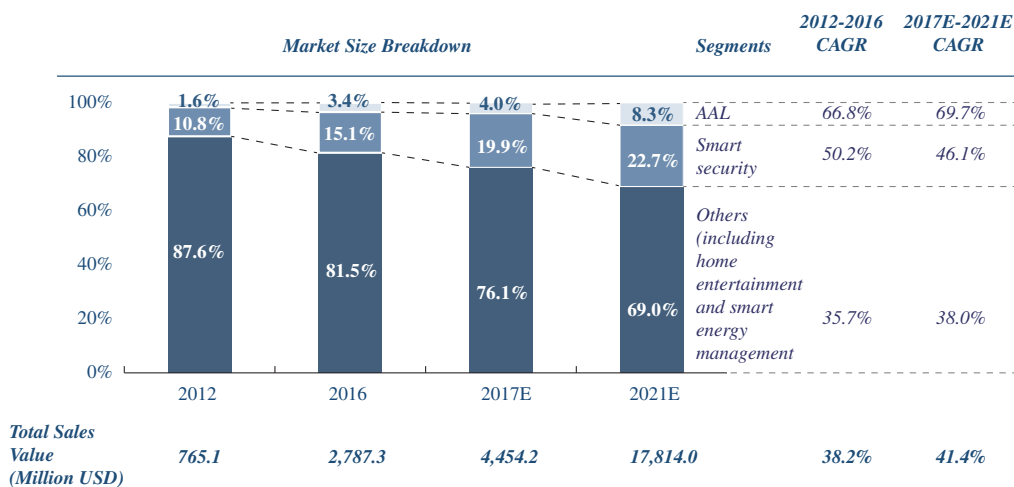
### Market size of Smart Home Products by Sales Value (Europe), 2012-2021E



Source: Frost & Sullivan

For the past five years between 2012 and 2016, AAL, a relatively new market segment, has seen robust growth at a CAGR of approximately 66.8%, driven by rapid ageing population in Europe which has led to an increased demand for smart devices by elderly people. It is predicted that this new market segment will continue to drive the smart home industry for the coming years at a CAGR of approximately 69.7%, and the segment is expected to double its share in the overall smart home market from approximately 4.0% in 2017 to approximately 8.3% in 2021.

On the other hand, the smart security segment has also experienced rapid growth at a CAGR of approximately 50.2% during the same period. In 2012, the segment accounted for approximately 10.8% of the overall smart home market and reached approximately 15.1% in 2016. It is expected that growing awareness towards home security and theft in Europe will continue to drive the segment at a CAGR of approximately 46.1% from 2017 to 2021.



Source: Frost & Sullivan

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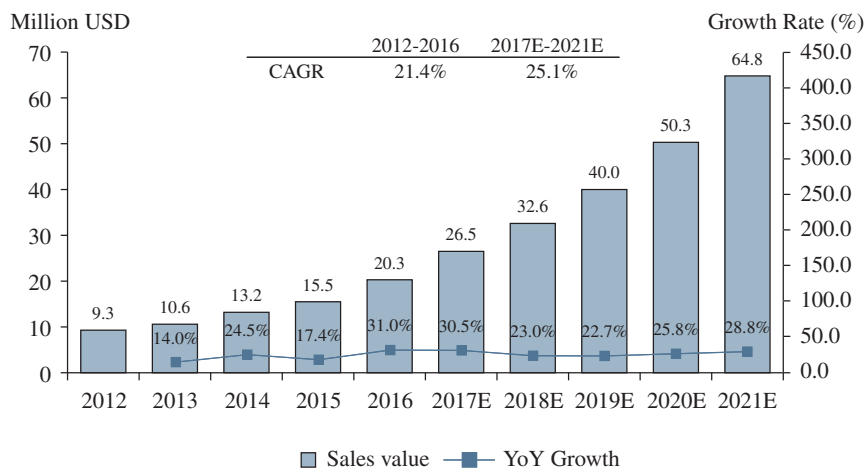
## INDUSTRY OVERVIEW

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### Market Size of Elderly Telecommunications Products

In Europe, the market size of elderly telecommunications products by sales value registered a growth from approximately USD9.3 million in 2012 to approximately USD20.3 million in 2016, representing a CAGR of 21.4%. The growth was primarily attributable to the growing awareness towards elderly care and increase in the elderly population in European countries. With the continuous increase in the elderly population and growing adoption of elderly telecommunications products in Europe, the market size of elderly telecommunications products by sales value is expected to increase at a CAGR of 25.1% during 2017 to 2021, reaching approximately USD64.8 million by 2021.

**Market size of Elderly Telecommunications Products by Sales Value (Europe), 2012-2021E**



Source: Frost & Sullivan

### Market Outlook

#### *Increasing consciousness on energy consumption*

In recent years, the growing environmental concerns have helped spread awareness regarding the importance of smart homes and home energy management measures. As smart lighting products help reduce energy consumption in homes, which is the main idea of smart home, it is anticipated that smart lighting will be amongst one of the largest segments of the smart home market. Increasing awareness on energy consumption is expected to drive the development of different cost-effective smart home technologies.

#### *Increasing requirements for entertainment and convenience*

In the future, smart home products market is expected to see increasing customer requirements for home entertainment and convenience, driven by the change in lifestyle. Consumers nowadays pursue a better living environment where the lights,



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heating/ventilation/air-conditioning (HVAC), security alarm and other household devices can be automated and remotely controlled by a smartphone, tablet or computer. This has encouraged the development and innovation of smart products, bringing consumers the ultimate convenience and entertainment to their daily life.

### *Product integration*

The beauty behind a smart home is the integration of products that somehow all work together as one machine. It requires a substantial amount of coordination and cooperation among the manufacturers of each component that comprises a complete system. In the near future, big corporations such as Legrand and Core Brands are leveraging home systems integration through acquisitions of leading players in the home systems industry to form conglomerates. This is expected to also lead to more products bundling in the smart home system market, encouraging consumers to do one-stop shopping to build a smart home.

### *Growing AAL products for elderly*

Over the past years, there has been a rise of smart devices and products designed to assist people in special needs and to improve their standard of living, which has led to the growth of ambient assistant living products such as alarm systems and motion sensors for the elderly to monitor their safety in homes. In particular, with the rising life expectancy, aging population is a common demographic phenomenon across countries in Europe. According to the statistics from United Nations Economic Commission for Europe, the proportion of age group of 65 years old and above in European Union countries has increased from approximately 17.7% in 2011 to 19.0% in 2015, while the proportion of other age group (64 years old below) had registered a decline from 82.3% to 81.0% during the same period of time. Furthermore, European Commission and its Partner States has been co-financing Ambient Assisted Living Joint Programme (“**AAL JP**”), a programme that funds projects in public-private partnership in the field of information and communication technology (“**ICT**”) for active and healthy ageing, with an estimated total budget of approximately EUR700 million. The key goal of AAL JP was to tackle the ageing challenge through supporting applied research on innovative ICT-enhanced services while private sector, academic institutions and research centers are the beneficiaries under this programme. Therefore, with the adoption of ICT, AAL JP enables older adults to live independently and participate in economy and society for more years, improve competitiveness of ICT based products in Europe, facilitated collaboration of researchers in the field of ICT at European scale and support sustainable health and social care offered by government. Other smart devices such as CCTV cameras for baby monitoring and home automation systems for the disabled, are gaining in popularity. These segments are considered as great potentials for smart home product developers and designers to tap into.

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## **INDUSTRY OVERVIEW**

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### **COMPETITIVE LANDSCAPE OF SMART HOME PRODUCTS MARKET IN EUROPE**

#### **Overview**

In Europe, the smart home market is an aggregate market of different sub-markets including smart lighting, smart security, home entertainment and AAL. It is a fragmented market with thousands of suppliers offering a wide variety of smart home products where most of the smart home suppliers offer more than one smart home products. Suppliers with a diverse product portfolio are able to earn more market share and stand in an advantageous position in the competition. The smart security systems market in Europe comprises players such as Honeywell, Panasonic, Bosch and Tyco. While the AAL market in Europe comprises players such as Medic4all Group, Tunstall Healthcare Ltd., Chubb Community Care, CareTech, and Assisted Living Technologies. Our Group had an estimated market share of approximately 0.05% in smart home products market in Europe in 2016.

#### **RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT**

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

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## **REGULATORY OVERVIEW**

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This section sets out summaries of certain major laws and regulations, which are relevant to our Group's business and operation.

### **LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN FRANCE**

This section sets forth a summary of the principal laws and regulations which are relevant to our Group's business in France.

#### **Business Registration and formation**

We are required to register before the Trade and Companies Registrar (RCS) held by the commercial Court of our main office near Paris, France (Nanterre). As proof that this administrative formality is done, we are given a corporate excerpt (KBis extract) which is the identification document for a French company. Any changes in the company that amend the information provided on the KBis extract must be published and registered with the RCS.

#### **Commercial authorizations**

The commercial activity of purchase and sales of telecommunications devices does not require any particular authorization and is not the purpose of a dedicated European regulation. However, the products marketed by the company must comply with the European Community (CE) standards in force. Compliance of these standards is declared by the seller, by applying a CE marking on the product.

CE marking is compulsory for manufactured goods, i.e. factory-processed and non-food products. The products delivered by a supplier to the company must comply with CE standards in force. This implies that the supplier is responsible for having the products delivered tested by independent laboratories.

The demonstration that the CE certification process are correctly done by itself or its suppliers relies on the company. The company is responsible towards third parties for the products it sells and distributes in its jurisdictions. The company accordingly signs the compliance with the CE standards declaration (DoC). Those DoCs must be signed by the company chairman under its responsibility.

#### **Competition law**

European and French law strictly prohibits the following practices that are to be considered anti-competitive:

- (i) article 101 of the Treaty on the functioning of the European Union (TFEU) and article L.420-1 of the French commercial Code prohibit agreements between a supplier and its distributor which restrict competition, such as price-fixing agreement and/or restricting resale territories or exclusive dealing arrangements;

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## REGULATORY OVERVIEW

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- (ii) article 102 of the TFEU and article L.420-2 of the French commercial Code prohibit companies from abusing the dominant position they hold on a given market, as an example by charging unfair prices, by limiting production.

### **Exclusive dealing agreements**

Exclusive purchase obligations (or non-compete obligation) benefit from a safe-harbor and are thus deemed as unable to lead to anti-competitive effects when:

- (i) their duration does not exceed five years; and
- (ii) each party have a market-share below 30% on the market concerned where they operate. Beyond this market-share ratio, a case by case analysis (taking into account various factors, such as, parties' market positions, maturity of the market, nature of the product), shall be carried out.

### **Resale price maintenance**

Articles L.420-1 and L.442-5 of the French Commercial Code prohibit the practice whereby a manufacturer and its distributors agree that the distributors will sell the distributor's product at a set minimum resale price.

Implementing such unlawful practices could have the following consequences:

- (i) fine of a maximum amount of 10% of the highest annual worldwide turnover achieved over the period starting in the year prior to the year during which the practice was implemented;
- (ii) potential termination of the agreements infringing such prohibition;
- (iii) indemnification of the prejudice suffered by third parties (eg. Consumers overpayments).

Such practice can be evidenced if included in a formal written agreement or if the three following criteria are cumulatively established:

- (i) information on the recommended or indicative retail prices have been exchanged between the supplier and the distributor so that the latter had knowledge of the retail price requested by the supplier;
- (ii) a price monitoring system has been set up by the supplier in order to monitor the retail prices applied by the distributor and/or to prevent any deviant action from recalcitrant distributors; and
- (iii) distributors have generally applied the supplier's indicated retail prices.

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## REGULATORY OVERVIEW

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### **Commercial law**

#### ***Payment terms and late payment penalties***

Pursuant to article L.441-6 of the French commercial Code, no agreement shall contain a longer payment term than 60 days from the invoice issuance date or 45 days following the last day of the month the invoice was issued.

The parties may not agree on late payment penalties that are less than three times the legal interest rate plus a fixed recovery cost of EUR40. The general terms and conditions shall specify such elements.

Non-compliance with these requirements could result in a maximum EUR2,000,000 fine (EUR4,000,000 in case of recurrence within a two-year period).

#### ***Single commercial agreement***

Article L.441-7 of the French commercial Code provides that the parties to a distribution agreement have to enter into a single agreement on 1 March at the latest, which details the commercial and pricing conditions, including rebates and discounts, distributor's services to promote the products and all other obligations of the distributor to sell the products.

Non-compliance with these requirements could result in a maximum EUR375,000 fine (EUR750,000 in case of recurrence within a two-year period).

If no particular service, mission, discount or rebate is included in the parties' relations, there is no obligation to agree on such an annual agreement.

Until 1 January 2017, these agreements had to have one-year duration, except if the "economy" of the commercial relation required a longer duration. This was notably the case for exclusive distribution agreements.

Since January 2017, this agreement can cover one, two or three years. If the duration of the agreement exceeds one year, the agreement needs to contain the prices indexation modalities.

#### ***Prohibition of resale price maintenance***

On top of competition laws prohibition, article L.442-5 of the French commercial Code prohibits minimum resale price maintenance.

#### ***Non-reciprocal commercial advantage***

Article L.442-6 of the French commercial Code prohibits the fact of obtaining or trying to obtain from a commercial partner any commercial or financial advantage which does not relate to any effective commercial service or which is significantly disproportionate when taking into account the value of the service.

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## REGULATORY OVERVIEW

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Non-compliance with these provisions are sanctioned as follows:

- (i) conviction to a maximum EUR5,000,000 fine or three times the amount unduly paid or 5% of the annual turnover achieved in France by the infringer;
- (ii) clauses of the concerned distribution agreement could be considered null and void and any undue amount should be reimbursed by the distributor to the supplier;
- (iii) compensation of the prejudice suffered by the victim.

### ***Significant unbalance***

Article L.442-6 of the French commercial Code prohibits obtaining or trying to obtain from a commercial partner contractual conditions that result in a significant unbalance between the rights and obligations of each party.

Non-compliance with these provisions are sanctioned as follows:

- (i) maximum EUR5,000,000 fine or three times the amount unduly paid or 5% of the annual turnover achieved in France by the infringer;
- (ii) clauses of the concerned distribution agreement could be considered null and void and any undue amount should be reimbursed by the distributor to the company;
- (iii) compensation of the prejudice suffered by the victim.

Such prohibition is reviewed by the authorities on a case by case basis, taking into account the whole contract.

### **Taxable income and rates (The Finance Bill for 2017)**

France operates a territorial tax system. Corporation tax is payable annually on all profits generated in France by companies and other legal entities. Residents and non-residents are taxable in France on profits allocable to a French business and on French-source income.

Foreign-source income of French residents generally is not subject to French tax (and foreign-source losses may not be deducted). The Finance Bill for 2017 contains provisions for the progressive reduction of the corporate income tax rate from the current 33.3% rate to 28.0% over the period 2017 to 2020 in accordance with the provisional timetable below.

The existing 15.0% reduced tax rate will be maintained for companies whose turnover does not exceed EUR7.63 million, but only for the first EUR38,120 of taxable income, and in 2019 will be extended to apply to small and medium-sized enterprises (SMEs).

### **The Occupational Safety and Health (Article L4121-1 to L4121-5 of the Labour Code)**

It is the employer's responsibility to take the measures necessary to ensure the safety and protect the mental and physical health of the employees. General principals of employer's duty is to:

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## REGULATORY OVERVIEW

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- (i) give instructions and avoid risks for employees;
- (ii) measure inevitable risks that can't be avoid and reduce risk by any relevant technical or new technology;
- (iii) plan to replace what is or becomes dangerous;
- (iv) prevent moral and sexual harassment.

### **Employment Law and employee**

Individual and collective employment rights, include the right to strike. A company collective agreement is a written agreement entered into between union(s) representing of employers and one or more trade union(s) representing employees that have reached a certain level of audience at the last employees' representatives elections (currently 10%).

Company collective agreements can address a variety of topics, including working time, remuneration or gender equality at work. The collective agreements applicable to us provide for minimum wages salary (depending on job categories and seniority of the employee).

### **Compliance with the laws and regulations of France**

Our Group has, in the course of its business, complied with all applicable laws and regulations in France in all material respects.

### **LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN SPAIN**

This section sets forth a summary of the principal laws and regulations which are relevant to our Group's business in Spain.

#### **Business Registry**

No mercantile formalities are required to open a representative office, although for tax, labor and social security reasons it might be necessary to execute a public deed (or document executed before a foreign notary public, duly legalised with apostille or any other applicable legalisation system), which will indicate the opening of the representative office, the funds allocated to the office, the identity of their tax representative, which will be a legal entity or individual resident in Spain, and his faculties. The opening of the representative office will not be filed with the Mercantile Register.

#### **Value Added tax**

Typically, Spanish VAT is 21%, and is applied to almost all transactions for goods and services in Spain. Other rates for certain goods and services can be 4% or 10%. Depending on their home country, businesses and individuals may be entitled to a refund from the Spanish government for VAT paid on expenses such as hotel accommodations, registration fees, taxis, car rentals, communication costs, and professional fees.

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## REGULATORY OVERVIEW

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### **Compliance with the laws and regulations of Spain**

Our Group has, in the course of its business, complied with all applicable laws and regulations in Spain in all material respects.

### **LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN HONG KONG**

This section sets forth a summary of the principal laws and regulations which are relevant to our Group's business in Hong Kong.

#### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

Our Group is required to make an application for a business registration certificate under the Business Registration Ordinance (“**BRO**”). We are required, within one month of the commencement of our business to register with the Commissioner of Inland Revenue by paying the prescribed fee and/or levy (section 5(1), section 5(2) and section 7 of the BRO). Further section 12 of BRO also provides that valid business registration certificates shall be displayed at every address where business is carried on.

#### **Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)**

Under section 9 of the Telecommunications Ordinance (“**TO**”), we are required to hold a license authorising our Group to deal in the course of trade or business of radiocommunications transmitting apparatus to import into Hong Kong or export therefrom any such apparatus.

#### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

Under section 52(4) of the Inland Revenue Ordinance (“**IRO**”), when our Group as employers commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax shall give notice thereof in writing to the Commissioner of the Inland Revenue (the “**Commissioner**”) not later than three months after the date of commencement of such employment, stating the full name and address of the individual. Under section 52(5) of the IRO, when our Group as employers ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance shall give notice thereof in writing to the Commissioner not later than one month before such individual ceases to be employed in Hong Kong stating the name and address of the individual and the expected date of cessation. Otherwise according to Section 80(1)(c) of the IRO, our Group would have committed an offence and be liable on conviction to a fine of HK\$10,000. The court can also order our Group to do the act which our Group has failed to do.

According to section 14 of the IRO, our Group would be charged with profits tax for each year of assessment in respect of our Group's assessable profits arising in or derived from our Group's business for that year. According to section 51(1) of the IRO, our Group should



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complete and submit their profits tax returns on or before the filing due date (as extended if appropriate). Where our Group fails to lodge a tax return by the due date or the extended due date, estimated assessment will be issued by the IRD and our Group may be liable to additional tax under section 82A of the IRO as a means of penal action or may be prosecuted under section 80(2) of the IRO if the delay in filing the profits tax return is without reasonable excuse.

Section 71(1) of the IRO provides that tax charged shall be paid in the manner directed in the notice of assessment on or before the date as specified in such notice. Otherwise, it may be deemed to be in default by our Group. Further it is a requirement under section 51C of the IRO for our Group to keep the business records for a period of at least seven years.

### **Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)**

According to section 6 of the Occupational Safety and Health Ordinance (“OSHO”), our Group as employers must as far as reasonably practicable ensure the safety and health of their employees at work by providing and maintaining plant and work systems that are safe and without risks to health, making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substance, providing all necessary information, instruction, training, and supervision for ensuring safety and health, maintaining the workspace in a condition that is safe and without risks to health, providing and maintaining safe access to and egress from the workplaces and providing and maintaining a working environment that is safe and without risks to health.

If we fail to comply with the above provisions, we would have committed an offence and be liable to a fine of HK\$200,000. If we fail to do so intentionally, knowingly or recklessly, we would have committed an offence and be liable to a fine of HK\$200,000 and imprisonment for six months. The Commissioner for Labour may also issue improvement notices against non-compliance of OSHO or FIUO, or suspension notices against activity of workplace which may create imminent hazard to the employees. If we fail to comply with such notices, it would constitute an offence and we would be punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

### **Employees’ Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)**

Under the Employees’ Compensation Ordinance (“ECO”), if one of our employees sustains an injury or dies as a result of an accident arising out of and in the course of his employment, our Group is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Further, according to section 15 of the ECO, if any accident happens to our employees, we must notify the Commissioner for Labour by submitting Form 2 (within 14 days for general work accidents and within seven days for fatal accidents) irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of the accident was not brought

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## **REGULATORY OVERVIEW**

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to the notice of our Group or did not otherwise come to our knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of our Group or otherwise came to our knowledge.

### **Employment Ordinance (Cap. 57 of the Laws of Hong Kong)**

Under the Employment Ordinance (“EO”), our Group as employer is required to make payment in lieu of notice in terminating an employment contract (section 7), pay end of year payment in accordance with contractual provisions (section 11C), grant paid maternity leave (section 14), prohibit assignment of heavy hazardous or harmful work for a pregnant employee (section 15AA), grant rest days, paid holidays and paid annual leave (section 17, section 39 and section 41AA), pay wages within 7 days upon the expiry of the last day of the wage period (section 23), grant severance and long service payment (section 31B and section 31R), deduct wages only under the prescribed circumstances (section 32), grant paid sickness day (section 33) and keep wages and employment records of each employee covering the period of his/her employment during the preceding 12 months’ period (section 49A).

### **Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)**

Under section 7 and section 7A of the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), our Group as an employer needs to arrange employees to become scheme members of a MPF scheme and both our Group and our employees are required to contribute to the registered scheme.

### **Compliance with the laws and regulations of Hong Kong**

Our Group has, in the course of its business, complied with all applicable laws and regulations in Hong Kong in all material respects.

## **LAW AND REGULATIONS IN RELATION TO OUR GROUP’S BUSINESS IN SWITZERLAND**

The following sets forth a summary of the principal laws and regulations which are relevant to our Group’s business in Switzerland:

### **License Agreements**

By means of a license agreement, which is not explicitly governed by the Swiss Code of Obligations (“CO”), the licensor concedes to the licensee the use and utilization of an intellectual property right such as a patent, copyright, design or trademark. In the case of a know-how license, no legally protected intellectual property rights but only technical or commercial trade secrets are licensed.

Although a license agreement has a lot in common with a lease pursuant to Article 275 CO, the Swiss Federal Supreme Court does not apply these rules to license agreements.

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Although rules governing lease agreements and leasing contracts have been deemed applicable to licence agreements, features of corporate law must also be taken into account (e.g., with respect to the termination of a license contract, if the parties have not agreed on the modalities of termination in their agreement). Therefore, the parties should agree, preferably in writing, upon the basic and important provisions of the contract. They should also define whether or not the license is exclusive. In case of breach of contract, the parties become liable pursuant to the general rules of the CO (Article 97 CO).

On February 2017, ATL Suisse and Swissvoice SA entered into a Trademark and Industrial Design License Agreement whereby ATL Suisse grants Swissvoice SA in particular a restricted, with no right to sublicense, non-exclusive, non-transferable, non assignable, license to use, during the term solely in Switzerland, the trademarks and industrial designs solely and exclusively in connection with the telecommunications products.

### **Provisions on Intellectual Property**

#### ***Trademarks***

The Federal Act on the Protection of Trade Marks and Indications of Source (the “LPM”) is the main applicable law in Switzerland regarding trademarks. Switzerland is a member of the Madrid Agreement Concerning the International Registration of Marks, the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, and the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. A trademark distinguishes the goods or services of an enterprise from the goods or services of another enterprise (Article 1 Paragraph 1 LPM). The trademark can be any shape or medium, as long as the mark is distinctive. Thus, a trademark can consist of letters, numbers, graphic symbols, colors, three-dimensional shapes, sounds and olfactory marks.

The owner of a trademark is the first person who registers a trademark. The transfer of a trademark making the transferee the new owner must be made in a written instrument and is effective against third parties only upon its recordation (Article 17 Paragraph 2 LPM). A trademark license does not need to be in writing. A license must, however, be recorded in the trademark register to prevail over the later transfer of the trademark. An unrecorded license cannot be enforced against an acquirer of the trademark acting in good faith. The owner of a trademark is exclusively entitled to use the mark on or in connection with goods or services, and to prevent others from using confusingly similar marks. A likelihood of confusion exists, if (1) the marks cannot be distinguished by the average consumer of the goods or services, or the marks might lead the said consumer to think that the marked goods or services are offered by a single enterprise or by different enterprises maintaining a legally or financially founded relationship, and (2) the goods or services are so similar that the consumer might think the goods or services could be offered by the same enterprise. The exclusive rights conferred by a trademark can only be enforced if, and to the extent that, the owner has in fact used such trademark during the five years preceding the proceedings unless there is a justification for such non-use (Article 12 LPM).

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A trademark is protected for ten years from the application date (Article 10 LPM). The protection period can be renewed an infinite number of times. The owner of a trademark cannot prevent others from using a trademark for private purposes, so cannot stop imports of counterfeits used for private purposes. A party who has used a trademark prior to its registration by another party, is entitled to continue such use (Article 14 LPM).

### *Domain Name*

In Switzerland, the country code top level domain “.ch” is awarded by Switch, a privately organized institution, on the principle of “first come, first served”. Although the registration of a domain name constitutes factual exclusivity, the owner of a domain name is not, on the basis of his or her domain name, entitled to prevent others from using a similar domain name. The owner of an intellectual property right is entitled to file an infringement action if another party registers and uses a domain name identical or confusingly similar to the owner’s intellectual property. Moreover, the Federal Act Against Unfair Competition (the “LCD”) might apply when a requirement to file an infringement suit is not met, or in cases of domain name grabbing, the disparagement of another, etc.

### *Designs*

The Federal Act on the Protection of Designs (the “LDes”) is the main applicable law in Switzerland regarding designs. Switzerland is a member of The Hague Agreement Concerning the International Deposit of Industrial Designs enacted in The Hague as well as the version enacted in Geneva, and of the Locarno Agreement Establishing an International Classification for Industrial Designs. A design encompasses ornamental lines as well as ornamental shapes and any combination thereof (Article 1 LDes). A design can be applied to the product itself (e.g. furniture, dolls), to a part of a product, or to its packaging (e.g. bottles). It is not possible to register methods of fabrication or designs which have solely technical or functional effects (Article 4 LDes); such innovations do not qualify as being ornamental.

In order to be registrable, a design has to be novel at the time of the filing of the application (Article 2 Paragraph 2 LDes). Moreover, a design has to show certain originality. The level required is not as high as required under the individuality standard prevailing in copyright. However, the design must be distinguishable from other forms and it must be regarded as something unique.

An application to register a design has to be filed with the Swiss Federal Institute of Intellectual Property (“**Institute**”), and must contain a graphical representation of the design which will define the extent of protection. The Institute examines the formalities of the application, but it does not examine whether a design is novel or original. It is possible to file a bundle of several designs in a single application if all designs filed adhere to the same class of the Locarno Convention (Article 20 LDes). An international registration of a design is possible; a successful applicant holds a bundle of national design rights.

The creator or the joint of various creators of a design are entitled to apply for registration (Article 7 LDes). The party registered is the owner of the design. If a design is created by an

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employee within the scope of his or her employment, the rights regarding such design are conferred to the employer without any special compensation (Article 332 CO). If the employee creates the design while performing his or her contractual duties, but not within the scope of such duties, the employer can opt to purchase the design at an adequate price, provided the employer and the employee have agreed in the employment agreement that the employer is entitled to such a right of first refusal. The transfer of the exclusive rights in a design making the transferee the new owner of the design must be made in a written instrument in order to be legally binding. It is not required to register a transfer but it is highly advisable, as a third party acting in good faith is not bound by any fact not reflected in the register. Any license can be recorded in the design register. The owner of an exclusive license is entitled to file an infringement action (Article 35 Paragraph 4 LDes).

The owner of a registered design is exclusively entitled to use such design in commerce. The exclusive rights pertain not only to identical designs, but also to design which are confusingly similar. One design is confusingly similar to another if the two designs cannot be distinguished; relevant is the hypothetical short-term memory of the average consumer of the respective goods. The court compares the possibly infringing design with the registered design in the form registered. Exclusive rights are granted for a period of five years from the date of the application (Article 5 LDes). The protection can be extended up to four times, i.e., in the aggregate, a protection of up to 25 years is possible. The owner of a design cannot prevent others from using an identical or similar design for private purposes. A party using a design before an identical or similar design is registered, is entitled to continue such use to the same extent as at the time the application was filed (Article 12 LDes).

On 24 November 2016, Swissvoice SA, and our Group entered into an Asset Purchase Agreement whereby Swissvoice SA agreed to sell, transfer and convey to our Group, free and clear of all encumbrances, the rights, titles and interests in various trademarks, domain names, website and industrial designs as identified in the said Asset Purchase Agreement.

### **Compliance with the law and regulations of Switzerland**

Our Group has, in the course of its business, complied with all applicable laws and regulations in Switzerland in all material respects.

### **LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN THE PRC**

The following sets forth a summary of the principal laws and regulations which are relevant to our Group's business in the PRC:

#### **Provisions on foreign investment**

The establishment, operation and management of WFOE in the PRC are governed by (i) Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalogue**”), which was amended and promulgated by the Ministry of Commerce

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(國家商務部) (the “MOC”) and the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) on 28 June 2017 and was effective on 28 July 2017 to regulate the investment in the PRC conducted by foreign investors and foreign-owned enterprises; (ii) the Company Law of the PRC (《中華人民共和國公司法》), which was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “NPCSC”) on 29 December 1993 and was last amended on 28 December 2013; (iii) the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated by the National People’s Congress (全國人民代表大會) (the “NPC”) on 12 April 1986 and amended by the NPCSC on 3 September 2016; (iv) the Detailed Rules for Wholly Foreign-Owned Enterprise (《中華人民共和國外資企業法實施細則》), which was last amended on 19 February 2014; and (v) the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the MOC on 8 October 2016 and was amended on 30 July 2017 and applied to the establishment and change of foreign investment enterprises which are not subject to special administrative measures stipulated by the PRC since 8 October 2016.

According to those laws and regulations aforesaid, if establishing a WFOE which is an industry permitted to foreign investment according to the Catalogue before 8 October 2016, such as ATL Shenzhen, a WFOE established in 2014, the investor shall make an application to the department in charge of foreign investment under the State Council or the organs authorised by the State Council. If establishing the aforesaid WFOE after 8 October 2016, the investor shall conduct the procedures of registration via the integrated administration information system of the department in charge of foreign investment under the State Council and the foreign investor may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

### **Provision on taxation**

#### ***Enterprise income tax***

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the NPC on 16 March 2007, effective on 1 January 2008 and amended on 24 February 2017, as well as Regulation on the Implementation of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and became effective on 1 January 2008, impose a uniform enterprises income tax rate of 25% on both domestic and foreign-invested enterprise which ATL Shenzhen is subject to, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations.

#### ***Value-added tax***

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the “VAT Provisional Regulations”) was officially implemented on 1 January 1994 and latest amended on 19 November 2017. The VAT Provisional Regulations stipulate

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that value-added tax is payable on the sale or import of goods, the sale of marketing service, intangible assets and real estate and the provision of processing, repair and labour replacement services in the PRC. The value-added tax rate is generally levied at 17%. Exports are exempted from value-added tax.

Since 1 January 1994, business tax and value-added tax are implemented together upon different sorts of business incomes. From 1 January 2012, State Administration of Tax and Ministry of Finance (國家稅務總局及財政部) had promulgated several notices on including more industries on switching from business tax to value-added tax.

On 23 March 2016, State Administration of Tax and Ministry of Finance promulgated Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)), according to which, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry, consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. The tax rate of general tax activities (excluding the provision of services in transportation, postal services, basic telecommunications, construction or real property lease, the sale of real property or the transfer or land use right, the provision of tangible personal property lease services, the cross-border taxable activities, etc.) applied to general tax payers will be 6%. On 19 November 2017, the State Council promulgated the Decision on Abolition of the Provisional Regulations on Business Tax of the PRC and Revision of the VAT Provisional Regulations (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), the Provisional Regulations on Business Tax of the PRC have been abolished since 19 November 2017.

### **Provisions relating to foreign exchange**

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》), which was promulgated on 29 January 1996 and became effective on 1 April 1996, and amended on 14 January 1997 and 5 August 2008, respectively, conversion of RMB and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investment, loans and repatriation of investment, are subject to the obtaining of prior approval from the State Administration of Foreign Exchange (國家外匯管理局) and/or one of its branches.

### **Provisions on labour relationship**

The Labour Law of the PRC (《中華人民共和國勞動法》) (the “**Labour Law**”) was promulgated by the NPCSC, implemented on 1 January 1995 and amended on 27 August 2009. The Labour Law stipulates that workers are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc.

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The Labour Contract Law of the PRC (《勞動合同法》) which was implemented on 1 January 2008 and amended on 28 December 2012 stipulates that written labour contracts must be executed in order to establish a labour relationship between the employer unit and the employees. When an employer unit is recruiting employees, it should inform the employees truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labour remuneration and other circumstances requested to be known by the employees.

### **Provisions on social insurances and housing provident funds**

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011 stipulates that employer units must purchase social insurance for employees. Such insurance includes pension insurance, unemployment insurance, childbirth insurance, work injury insurance and medical insurance. When an employer unit fails to complete social insurance registration or does not pay the full amount of social insurance fees on time, it may be subject to administrative penalties such as order of correction within a specific timeframe, order of payment within a specific timeframe, or top-up, increase of penalty fees and fines by the social insurance administrative authorities.

The Administrative Provisions for Housing Provident Funds (《住房公積金管理條例》) promulgated on 3 April 1999, which became effective on 3 April 1999 and was amended on 24 March 2002, stipulate that employer units must register housing provident fund deposits with the housing provident fund management centre and set up housing provident fund accounts for its employees. Failure to do so may result in penalties such as order to register within a specific timeframe or fines by the housing provident fund management centre. If an employer unit fails to make deposits after the due date, the housing provident fund management centre may apply for enforcement with the People's Court.

### **Compliance with the laws and regulations of PRC**

Our Group has, in the course of its business, complied with all applicable laws and regulations in the PRC in all material respects.

## **LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN MEXICO**

The following sets forth a summary of the principal laws and regulations which are relevant to our Group's business in Mexico:

### **Regulations in relation to representative office of ATL Asia in Mexico**

The legal framework in Mexico of representative offices is regulated in articles 17, section II and article 17-A of the Foreign Investments Law (LIE), article 21 of the Regulation of the Foreign Investments Law and article 2736 of the Civil Code of the Federal District.

The Civil Code of the Federal District provides that the legality and existence of foreign companies will be recognized in Mexico and all their acts will be judged in accordance to the



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provisions of the country in which it was incorporated. The LIE establishes the need for foreign corporations to obtain the authorization from the National Commission for Foreign Investments (CNIE) in order to establish in Mexican territory.

In Mexico, the representative offices are also known as “representative offices without income”. The authorization, given by the CNIE to a foreign corporation, to establish a representative office in Mexico does not allow it to carry out commercial acts in Mexican territory and therefore they will not be entitled to receive any sort of payment. Some of the activities that a representative office can carry out are of representation, publicity, market studies and customer attraction. This also means that the representative office does not constitute a permanent establishment in Mexico for tax purposes.

Notwithstanding the fact that the representative office is not allowed to carry out commercial acts, it has to comply with certain obligations once the CNIE has given the authorization:

- In a term of one year after the authorization of the CNIE was given, the representative office has to prove that it has initiated with the acts to which it was authorized.
- Designate a person that will be the representative of the representative office in Mexico. This person must be granted with powers of attorney to represent and act on behalf of the foreign company. Likewise, it is necessary that the designated person has a domicile in Mexico.
- Have an office where it can serve customers and receive any kind of notifications.
- Obtain its registration in the Federal Taxpayers Registry.

Unlike foreign corporations that carry out commercial acts, the representative offices are not compelled to file its registration before the RNIE.

### **Regulations in relation to ATL Mexico**

The legal framework of the incorporation of a corporation (S.A.) in Mexico is regulated in the Articles 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100 and 101 of the General Law of Commercial Corporations (LGSM for its acronym in Spanish). Likewise, the S.A. must be recorded in the National Registry for Foreign Investments based on the Article 32 of the LIE.

For the S.A. to be incorporated in Mexico, it required two or more shareholders, whose liabilities for acts of the S.A. are limited to their capital contribution. According to the LGSM, the S.A. must comply with the following requirements:

- The S.A. must have a minimum of two shareholders, and each one must subscribe at least one share.

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## REGULATORY OVERVIEW

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- The purpose of the S.A. must be legal in accordance with the Mexican laws.
- The S.A. must be managed by a board of directors or a sole administrator.
- The capital stock of the S.A. must be represented by nominative shares.
- The general shareholders' meeting for the S.A. must be ordinary or extraordinary; both are normally held at the corporation's principal domicile.
- The S.A. must have an ordinary stockholders' meeting every year to approve the company's annual financial statements and annual report.
- The S.A. must have a shareholders meetings minutes book, a variations of capital registry's book and a shareholders registry's book in order to record any changes or updates on the company or on its capital stock or shareholders.

In addition, the companies that carry out commercial acts in Mexico must obtain a registration in the Federal Taxpayers Registry and comply with applicable tax obligations pursuant to Mexican tax laws and regulations.

### **Compliance with the laws and regulations of Mexico**

Our Group has, in the course of its business, complied with all applicable laws and regulations in Mexico in all material respects in regards to ATL Mexico and the representative office of ATL Asia.

### **IMPACT OF INTERNATIONAL SANCTIONS LAWS**

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries.

#### ***U.S.***

When the U.S. Government imposes economic sanctions against a foreign country, entity, or individual, U.S. law generally prohibits U.S. companies or U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeting country, entity or individual.

#### ***The United Nations***

The United Nations sanctions measures are adopted via a Resolution of the United Nations Security Council. The United Nations Security Council Resolutions are binding upon all members of the United Nations, including the United States, Member States of the European

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Union and Australia. The United Nations Member States are required to bring into force (i.e. implement, administer and enforce) national measures to ensure compliance with the measures prescribed in the United Nations Resolution. The main aim of the United Nations sanctions measures, as set out in the United Nations Charter, is to maintain or restore international peace and security.

### *The European Union*

Under the European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to the European Union sanctions where that counterparty is not a Designated Person or not engaged in Prohibited Activities, such as exporting, selling, transferring or making certain controlled or restricted product available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

### *Australia*

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to the United Nations sanctions.

In light of this, we have appointed our International Sanctions Legal Advisers to determine whether our business activities in Cuba, Egypt, Ivory Coast, Lebanon, Russia, Tunisia, Ukraine and Zimbabwe during the Track Record Period would expose our Group, or any person or entity, including our Group’s investors, our Shareholders, the Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC or HKSCC nominees to risk of being sanctioned. Please refer to the section headed “Business – Business Activities in Countries subject to International Sanctions” in this prospectus for details of our business activities in connection with those countries.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OUR BUSINESS HISTORY

Our Group's history could be traced back to 2013 when ATL Holdings acquired the majority shareholding interest in Atlinks Group at a consideration of EUR2,655,000 based on arm's length negotiation from an Independent Third Party. Such consideration was determined with reference to the then net assets value of Atlinks Group as at 31 December 2012 and its historical financial performances. At the relevant time, Atlinks Group was owned as to 86.5% by the Independent Third Party, 8.5% by Mr. Goujard, and 5% by Mr. Duc, while ATL Holdings was wholly-owned by TOHL, which was in turn wholly-owned by Ms. Chu. Atlinks Group was the holder of the Licensed Marks under the License Agreement at the relevant time. As Ms. Chu and her spouse, Mr. Long, were interested to acquire the Alcatel brand license as they saw potential in the telecommunications products market and the Alcatel brand, Ms. Chu decided to acquire the majority interest of Atlinks Group from the Independent Third Party. The relevant acquisition was properly and legally completed and settled on 12 April 2013. Subsequently, on 3 June 2013, ATL Holdings acquired the remaining 13.5% interest of Atlinks Group from Mr. Goujard and Mr. Duc at consideration of 170 shares and 100 shares of ATL Holdings allotted to Mr. Goujard and Mr. Duc respectively. The transfer was properly and legally completed and settled. The acquisition of Atlinks Group was financed by Ms. Chu's spouse Mr. Long as a gift to her. Through further corporate restructuring after the acquisition by ATL Holdings, which includes the acquisition of ATL Mexico, ATL Europe, and ATL Asia by ATL Holdings from Atlinks Group, ATL Holdings replaced Atlinks Group as the holding company of our Group. Atlinks Group was dissolved subsequently. As such, our Group was established in 2013.

Mr. Goujard, our chief executive officer and executive Director, has over 30 years of experience in the sales and distribution of telecommunications products. Mr. Goujard oversees the key functions of our business operations. Mr. Duc, another of our executive Director, has over 20 years of experience in the sales and distribution of telecommunications products. Mr. Long, our non-executive Director started his career in the electronics industry back in 1988 when he started his own business in Dongguan, the PRC. The extensive industry-related career experience enables Mr. Long to acquire in-depth industry knowledge and market understanding in the sales and manufacturing of electronics products. With the industry-related experience of Mr. Long, Mr. Goujard, Mr. Duc, and the accounting and finance background of Ms. Ho, another of our executive Director, our Group was established with a solid foundation in 2013. For further details regarding the experience of Mr. Goujard, Mr. Duc, Mr. Long and Ms. Ho, please refer to the section headed "Directors, senior management and employees" in this prospectus.

The following are the key milestones of our business history:

- 2013 – acquisition of Atlinks Group (including ATL Europe for development and sales of telecommunications products in Europe, ATL Mexico for sales of telecommunications products in Latin America, and ATL Asia for development and sales of telecommunications products in the rest of the world) by ATL Holdings from an Independent Third Party

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- 2014 – establishment of ATL Shenzhen for sales of telecommunications products in the PRC
  
- 2016 – incorporation of ATL Enterprise with HK Sipall as a joint venture company for sales and distribution of telecommunications products
  
- incorporation of ATL Suisse for possession and management of trademarks and intellectual properties including acquisition of the Swissvoice brand

### OUR CORPORATE HISTORY

#### ATL Europe

On 30 October 2008, ATL Europe was incorporated in France with an authorised share capital of EUR500,000 divided into 500,000 shares of EUR1.00 each, of which 37,000 shares were issued at par to Verdoso Industry Sàrl, an Independent Third Party. As at 30 October 2008, the shareholding structure of ATL Europe was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Verdoso Industry Sàrl	<u>37,000</u>	<u>100</u>
<b>Total:</b>	<u><u>37,000</u></u>	<u><u>100</u></u>

On 17 November 2009, Verdoso Industry Sàrl transferred 37,000 shares of ATL Europe to Atlinks Group at a consideration of EUR37,000 based on its nominal value due to internal restructuring. The said transfer was properly and legally completed and settled. As at 17 November 2009, the shareholding structure of ATL Europe was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Atlinks Group	<u>37,000</u>	<u>100</u>
<b>Total:</b>	<u><u>37,000</u></u>	<u><u>100</u></u>

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 29 December 2009, 463,000 shares of ATL Europe were allotted to Atlinks Group at par. As at 29 December 2009, the shareholding structure of ATL Europe was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Atlinks Group	<u>500,000</u>	<u>100</u>
<b>Total:</b>	<u><u>500,000</u></u>	<u><u>100</u></u>

On 22 February 2010, ATL Europe registered Atlinks Europe as its branch office in Spain.

On 31 August 2013, 500,000 shares of ATL Europe were transferred to ATL Holdings at nil consideration due to internal restructuring of our Group by which ATL Holdings shall become the holding company of our Group at the relevant time. The said transfer was properly and legally completed and settled.

As at 31 August 2013 and prior to the Reorganisation, the shareholding structure of ATL Europe was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
ATL Holdings	<u>500,000</u>	<u>100</u>
<b>Total:</b>	<u><u>500,000</u></u>	<u><u>100</u></u>

### ATL Asia

On 3 December 2009, ATL Asia was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one (1) share was issued at par to Atlinks Group. As at 3 December 2009, the shareholding structure of ATL Asia was set out below:

<b>Name of shareholder</b>	<i>Number of share</i>	<i>%</i>
Atlinks Group	<u>1</u>	<u>100</u>
<b>Total:</b>	<u><u>1</u></u>	<u><u>100</u></u>

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 20 September 2013, the one (1) share of ATL Asia was transferred to ATL Holdings at a consideration of EUR2,021,591 based on fair value as at 30 August 2013 due to internal restructuring. The said transfer was properly and legally completed and settled. As at 20 September 2013 and prior to the Reorganisation, the shareholding structure of ATL Asia was set out below:

<b>Name of shareholder</b>	<i>Number of share</i>	<i>%</i>
ATL Holdings	<u>1</u>	<u>100</u>
<b>Total:</b>	<u><u>1</u></u>	<u><u>100</u></u>

On 30 September 2013, ATL Asia changed its name from Verdoso Asia Limited to Atlinks Asia Limited.

On 10 January 2014, ATL Asia registered Atlinks Asia Limited as its branch office in Mexico.

### **ATL Mexico**

On 14 December 2009, ATL Mexico was incorporated in Mexico as a limited liability corporation (S.A.) with a total fixed capital of MXN50,000 divided into 50,000 shares of MXN1.00 each. As at 14 December 2009, the shareholding structure of ATL Mexico was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Verdoso Industry 3, SAS	<u>49,999</u>	<u>99.998</u>
Mr. Goujard	<u><u>1</u></u>	<u><u>0.002</u></u>

According to the General Law of Mexican Companies, a joint stock corporation needs to have at least two shareholders. Therefore, one share of ATL Mexico was held by Mr. Goujard on behalf of Atlinks Group in order to satisfy the requirement. Mr. Goujard will continue to directly hold 1 share or 0.002% of ATL Mexico after Listing in order to ensure compliance with the General Law of Mexican Companies as a joint stock corporation to have at least two shareholders.

The shareholder Verdoso Industry 3, SAS changed its company name from Verdoso Industry 3, SAS to Atlinks Group on 22 January 2010.

On 24 July 2013, the 49,999 shares of ATL Mexico was transferred from Atlinks Group to ATL Holdings at no consideration due to group reorganisation.

Atlinks Group transferred its assets and liabilities to ATL Holdings, including the shares of ATL Mexico under no consideration as it was completed as part of a group reorganisation.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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The shares transfer of ATL Mexico and the tax obligations deriving therefrom, have been properly and legally completed and settled. As at 24 July 2013, the shareholding structure of ATL Mexico was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
ATL Holdings	49,999	99.998
Mr. Goujard	1	0.002

### ATL Holdings

On 13 January 2012, ATL Holdings was incorporated in Hong Kong with an authorised share capital of EUR1,000.00 divided into 1,000 shares of EUR1.00 each, of which 510 shares and 490 shares were respectively issued at par to Mr. Goujard and an Independent Third Party, upon incorporation. As at 13 January 2012, the shareholding structure of ATL Holdings was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Mr. Goujard	510	51
Independent Third Party	490	49
<b>Total:</b>	<u>1,000</u>	<u>100</u>

On 13 January 2013, the Independent Third Party transferred 490 shares of ATL Holdings to Mr. Goujard at a nominal consideration of EUR1.00 due to different business directions. The said transfer was properly and legally completed and settled. As at 13 January 2013, the shareholding structure of ATL Holdings was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
Mr. Goujard	<u>1,000</u>	<u>100</u>
<b>Total:</b>	<u>1,000</u>	<u>100</u>



## HISTORY, DEVELOPMENT AND REORGANISATION

On 7 March 2013, Mr. Goujard transferred 1,000 shares of ATL Holdings to TOHL at a consideration of EUR1,000 due to internal restructuring of our Group. The said transfer was properly and legally completed and settled. As at 7 March 2013, the shareholding structure of ATL Holdings was set out below:

Name of shareholder	<i>Number of shares</i>	%
TOHL	1,000	100
<b>Total:</b>	1,000	100

On 3 June 2013, 730 shares of ATL Holdings were allotted to TOHL at a premium of EUR3,625.82 each for the purpose of settlement of shareholder's loan. The total amount treated as paid on the shares otherwise than in cash is EUR2,647,580. On the same date, 170 shares were allotted to Mr. Goujard at a premium of EUR1,528.51 each in consideration of 85,000 shares of Atlinks Group transferred by Mr. Goujard to ATL Holdings. On the same date, 100 shares were allotted to Mr. Duc at a premium of EUR1,528.68 each in consideration of 50,000 shares of Atlinks Group transferred by Mr. Duc to ATL Holdings. As at 3 June 2013, the shareholding structure of ATL Holdings was set out below:

Name of shareholder	<i>Number of shares</i>	%
TOHL	1,730	86.5
Mr. Goujard	170	8.5
Mr. Duc	100	5
<b>Total:</b>	2,000	100

On 18 November 2013, 6,420 shares, 880 shares, 500 shares, and 200 shares of ATL Holdings were allotted at par to each of TOHL, AIL, Mr. Duc and Ms. Ho respectively. On 18 November 2013, Mr. Goujard transferred 170 shares of ATL Holdings to AIL at a nominal consideration of EUR1.00 as he preferred to hold his shares in ATL Holdings through his investment holdings company. The said transfer was properly and legally completed and settled. As at 18 November 2013, the shareholding structure of ATL Holdings was set out below:

Name of shareholder	<i>Number of shares</i>	%
TOHL	8,150	81.5
AIL	1,050	10.5
Mr. Duc	600	6
Ms. Ho	200	2
<b>Total:</b>	10,000	100

## HISTORY, DEVELOPMENT AND REORGANISATION

On 16 April 2015, 6,050 shares, 2,116 shares, 1,334 shares, and 500 shares were allotted at par to each of TOHL, AIL, Mr. Duc and Ms. Ho respectively. As at 16 April 2015, the shareholding structure of ATL Holdings was set out below:

Name of shareholder	<i>Number of shares</i>	%
TOHL	14,200	71.0
AIL	3,166	15.83
Mr. Duc	1,934	9.67
Ms. Ho	700	3.5
<b>Total:</b>	<u>20,000</u>	<u>100</u>

On 18 April 2016, AIL transferred 800 shares of ATL Holdings to TOHL at a consideration of EUR334,272 based on earnings before interest and tax per share multiplied by three as at 31 December 2014 due to internal restructuring of our Group for TOHL to increase its shareholding. The said transfer was legally and properly completed and settled. As at 18 April 2016 and prior to Reorganisation, the shareholding structure of ATL Holdings was set out below:

Name of shareholder	<i>Number of shares</i>	%
TOHL	15,000	75.0
AIL	2,366	11.83
Mr. Duc	1,934	9.67
Ms. Ho	700	3.5
<b>Total:</b>	<u>20,000</u>	<u>100</u>

### ATL Shenzhen

On 6 March 2014, ATL Shenzhen was established in the PRC as a WFOE with an approved registered capital of HK\$700,000, of which the entire registered capital was contributed by ATL Holdings. As at 6 March 2014 and prior to the Reorganisation, the shareholding structure of ATL Shenzhen was set out below:

Name of shareholder	<b>Registered capital</b>	%
ATL Holdings	HK\$700,000	100
<b>Total:</b>	<u>HK\$700,000</u>	<u>100</u>

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### ATL Enterprise

On 12 September 2016, ATL Holdings and HK Sipall entered into a shareholders agreement in order to set up their joint venture company, ATL Enterprise. On 22 September 2016, ATL Enterprise was incorporated in Hong Kong as a joint venture company with a share capital of HK\$1,500,000 divided into 1,500,000 shares, of which 765,000 shares and 735,000 shares were issued at a consideration of HK\$765,000 and HK\$735,000 respectively to ATL Holdings and HK Sipall, upon incorporation. As at 22 September 2016 and prior to Reorganisation, the shareholding structure of ATL Enterprise was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
ATL Holdings	765,000	51
HK Sipall	735,000	49
<b>Total:</b>	<u>1,500,000</u>	<u>100</u>

The purpose of setting up ATL Enterprise is for sales and distribution of Licensed Products in the PRC and other Asia areas such as Singapore, India, Taiwan, Vietnam and Indonesia. As at the Latest Practicable Date, the principal activity of HK Sipall is the development of IP products. HK Sipall is owned by an Independent Third Party who, to the best of our Directors' knowledge, has experience in sales of IP phone products in Asia Pacific Region and also has established and maintained distribution network in such area. As such, our Group decided to set up ATL Enterprise with HK Sipall to further develop into the market for sales of our Licensed Products in these areas.

### ATL Suisse

On 14 November 2016, ATL Suisse was incorporated in Switzerland as a private company, of which 380,000 shares of CHF1.00 each was issued at par to ATL Holdings, upon incorporation. As at 14 November 2016 and prior to Reorganisation, the shareholding structure of ATL Suisse was set out below:

<b>Name of shareholder</b>	<i>Number of shares</i>	<i>%</i>
ATL Holdings	380,000	100
<b>Total:</b>	<u>380,000</u>	<u>100</u>

# HISTORY, DEVELOPMENT AND REORGANISATION

## REORGANISATION

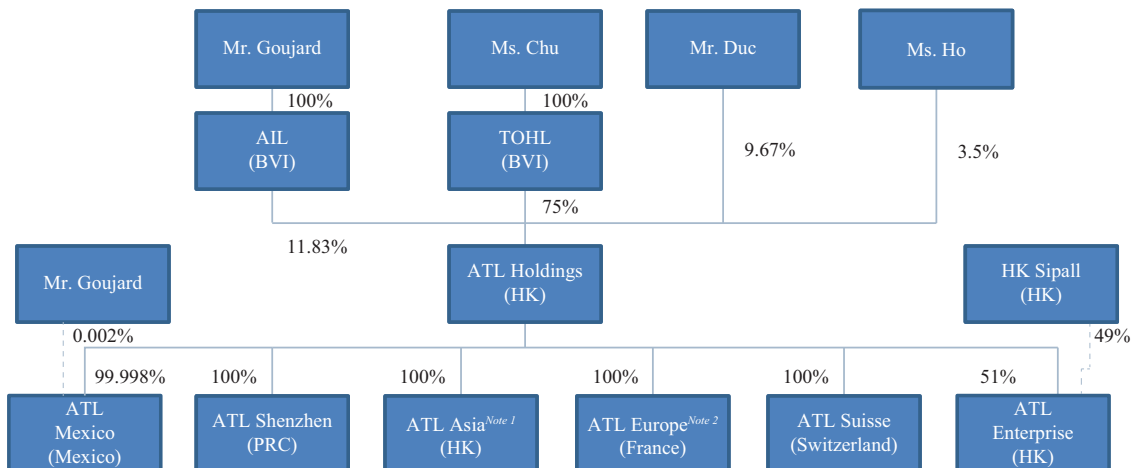
For the shareholding structure of our Group (i) immediately prior to the Reorganisation; (ii) after the Reorganisation and immediately prior to the Capitalisation Issue and the Share Offer; and (iii) following completion of the Capitalisation Issue and the Share Offer (assuming that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), please refer to the charts set out in this section.

## INTRODUCTION

In contemplation of the Listing, members of our Group have undergone certain restructuring steps whereby a coherent structure of our Group has been established which is suitable for Listing. The Reorganisation involved the following principal steps:

1. incorporation of Eiffel Global;
2. incorporation of ATL Industries;
3. incorporation of our Company;
4. acquisition of the entire issued share capital in ATL Holdings by ATL Industries; and
5. transfer of the entire issued share capital of ATL Industries to our Company.

## CORPORATE STRUCTURE PRIOR TO THE REORGANISATION



Notes:

1. On 10 January 2014, ATL Asia registered Atlinks Asia Limited as its branch office in Mexico.
2. On 22 February 2010, ATL Europe registered Atlinks Europe as its branch office in Spain.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### DETAILED PROCEDURES

For the purpose of Listing, the following Reorganisation steps have been implemented:

#### Incorporation of Eiffel Global

Eiffel Global was incorporated on 13 July 2017 as the investment holding company of TOHL, AIL, Mr. Duc and Ms. Ho. Since incorporation, the shareholding structure of Eiffel Global is set out below:

Name of shareholder	<i>Number of shares</i>	<i>%</i>
TOHL	7,500	75.00
AIL	1,183	11.83
Mr. Duc	967	9.67
Ms. Ho	350	3.5
<b>Total:</b>	<u>10,000</u>	<u>100</u>

#### Incorporation of ATL Industries

ATL Industries was incorporated on 13 July 2017 as the intermediate holding company of our Group. Since incorporation, the shareholding structure of ATL Industries is set out below:

Name of shareholder	<i>Number of shares</i>	<i>%</i>
Eiffel Global	<u>100</u>	<u>100</u>
<b>Total:</b>	<u>100</u>	<u>100</u>

#### Incorporation of our Company

On 3 August 2017, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 3 August 2017, our Company allotted and issued one (1) nil-paid share to the initial subscriber, which was transferred to Eiffel Global on the same date. The said one (1) nil-paid share was subsequently paid up in the manner described in paragraph headed “Transfer of the entire issued share capital of ATL Industries to our Company” below.

#### Acquisition of the entire issued share capital in ATL Holdings by ATL Industries

On 15 August 2017, TOHL, AIL, Mr. Duc and Ms. Ho transferred 15,000 shares, 2,366 shares, 1,934 shares and 700 shares in the issued share capital of ATL Holdings, representing

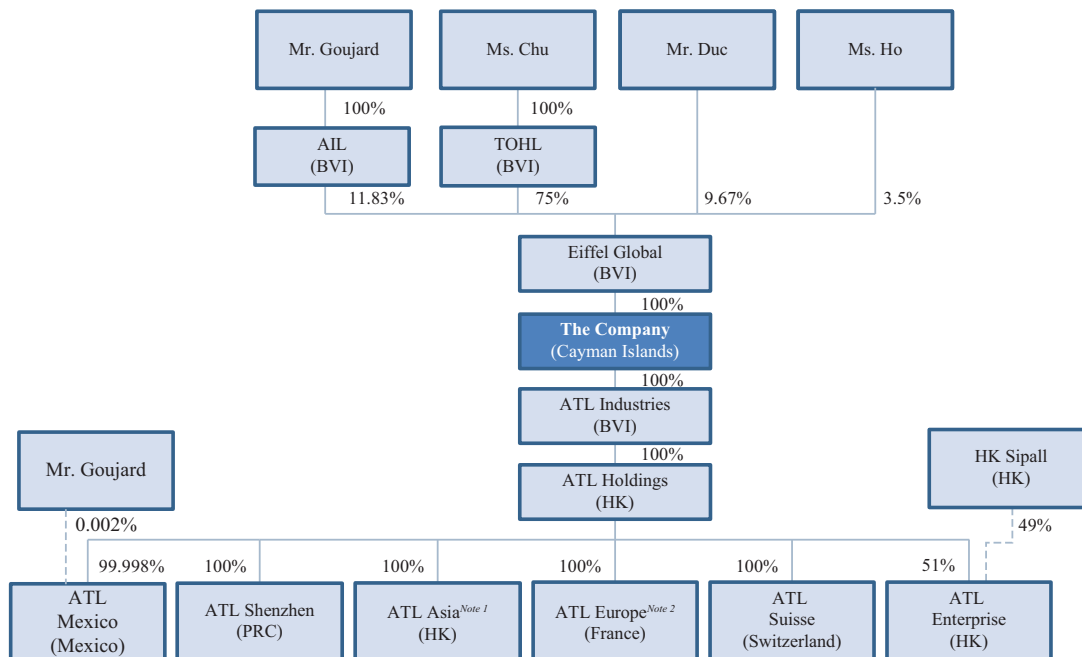
## HISTORY, DEVELOPMENT AND REORGANISATION

75%, 11.83%, 9.67% and 3.5% respectively of its entire issued share capital, to ATL Industries in consideration of and in exchange for ATL Industries allotting and issuing one share, one share, one share and one share in ATL Industries to Eiffel Global (at the direction of TOHL, AIL, Mr. Duc and Ms. Ho) respectively.

### Transfer of the entire issued share capital of ATL Industries to our Company

Eiffel Global will transfer its entire issued share capital in ATL Industries to our Company, in exchange for which our Company will (a) issue and allot 9,999 shares to Eiffel Global, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of Eiffel Global. The Reorganisation of our Group (being completion of transfer of the entire issued share capital of ATL Industries to our Company) was completed on 21 December 2017. Each of the share transfers regarding the Reorganisation mentioned above was properly and legally completed and settled.

### CORPORATE STRUCTURE AFTER THE REORGANISATION AND IMMEDIATELY PRIOR TO THE CAPITALISATION ISSUE AND THE SHARE OFFER

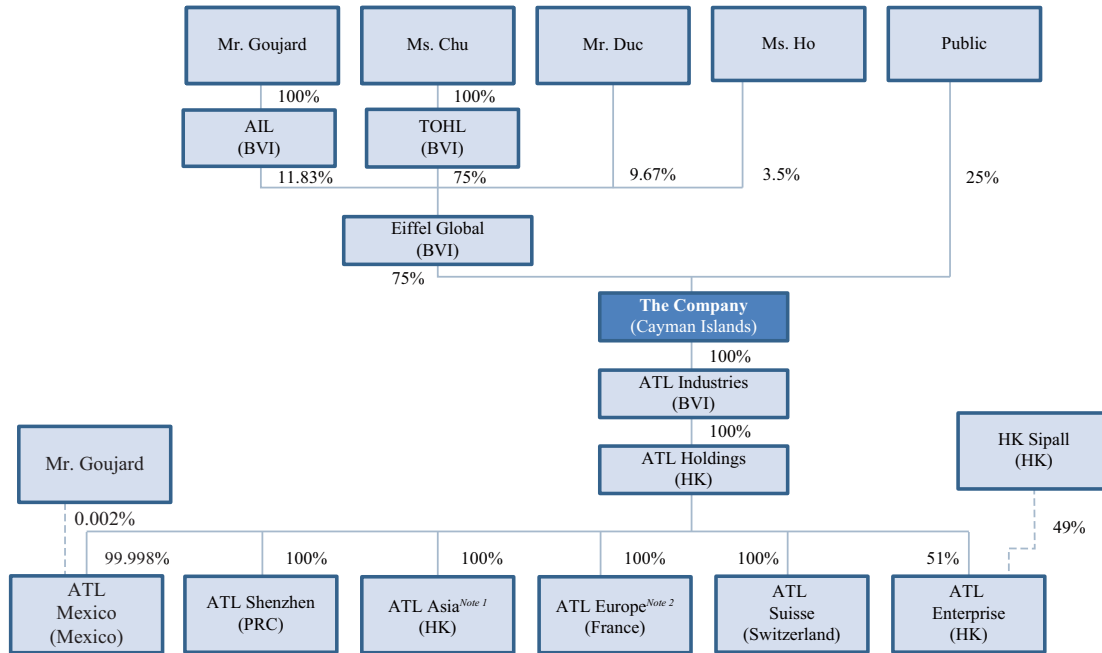


Notes:

1. On 10 January 2014, ATL Asia registered Atlinks Asia Limited as its branch office in Mexico.
2. On 22 February 2010, ATL Europe registered Atlinks Europe as its branch office in Spain.

## HISTORY, DEVELOPMENT AND REORGANISATION

**CORPORATE STRUCTURE FOLLOWING COMPLETION OF THE CAPITALISATION ISSUE AND THE SHARE OFFER (WITHOUT TAKING INTO ACCOUNT ANY SHARES WHICH MAY BE ALLOTTED AND ISSUED PURSUANT TO THE EXERCISE OF ANY OPTIONS WHICH MAY BE GRANTED UNDER THE SHARE OPTION SCHEME)**



*Notes:*

1. On 10 January 2014, ATL Asia registered Atlinks Asia Limited as its branch office in Mexico.
2. On 22 February 2010, ATL Europe registered Atlinks Europe as its branch office in Spain.

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## BUSINESS

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### OVERVIEW

We are a home and office telecommunications product designing company and we sell our products through the telecom operators, large consumer retail chain stores and distributors mainly located in Europe and Latin America. According to the Frost & Sullivan Report, the Alcatel brand ranked third in terms of revenue for the year ended 31 December 2016 in the home telephone market segment in Europe. We derive our revenue principally from designing, developing and selling home and office telecommunications products under the Licensed Marks and other customer brand names for the European, Latin American and Asian markets. Since our Group's establishment in 2013, we have established a proven track record and built up relationships with our customers. Our customers include large consumer retail chain stores, telecom operators and distributors mainly located in Europe and Latin America.

We are principally engaged in product and solutions design and development, sales, marketing and after-sales services of home and office telecommunications products. We generate a majority of our sales from the Licensed Products. We generally seek orders from our customers (i) through promoting product ideas to them directly; (ii) through responding to their request for products or specific features of products, or (iii) by bidding for project tendering of telecom operators in various countries. We outsource our production of telecommunications products processes to our manufacturing subcontractors, as we believe that it would be more cost efficient for us to focus on design and development of new products.

Throughout the years in our history, we have devoted efforts to capitalise on our product design and sales and marketing capabilities according to change in technologies. As at the Latest Practicable Date, our telecommunications product range includes home telephones (corded and cordless), office telephones (analog and VoIP telephones) and other telecommunications products including IP conference devices, IP cameras and monitoring products. For details, see the paragraph headed "Our products" in this section of the prospectus.

During the Track Record Period, we sold our products under our Licensed Marks or Swissvoice brand, or under the brand of our telecom operator or retail chain store customer if being requested. We have entered into the License Agreement with Alcatel Lucent for the exclusive usage of the Licensed Marks for sales of the Licensed Products globally which shall expire in 2027. For details, please refer to the paragraph headed "License agreement with Alcatel Lucent" in this section of the prospectus. Furthermore, we entered into an agreement to acquire the Swissvoice brand in November 2016 and plan to develop product categories which are sold under the Swissvoice brand. For further details, please refer to the paragraph headed "Acquisition of the Swissvoice brand" in this section of the prospectus. We would concentrate our efforts in growing our business by generating sales through diversifying our product range, improving our design and development capabilities and investing in marketing.



## BUSINESS

Below is a breakdown of our revenue by product type during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
Home telephone	43,166	87.5	34,600	85.3	15,814	85.1	15,453	84.7
Office telephone	5,312	10.8	4,887	12.1	2,347	12.6	2,165	11.9
Others (Note)	857	1.7	1,073	2.6	424	2.3	618	3.4
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

(Unaudited)

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

The table below sets out the breakdown of our revenue by geographical location of our customers who are mainly consumer retail chain stores and telecom operators who, to the best of our Directors' knowledge, purchase our products for onward sales to their local or overseas markets for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
France	21,746	44.1	21,223	52.3	10,215	55.0	8,797	48.2
Latin America (Note 2)	14,495	29.4	9,350	23.1	3,638	19.6	3,624	19.9
Other European countries (Note 3)	7,251	14.7	6,527	16.1	3,145	16.9	3,445	18.9
APAC/Russia/ MEA (Note 4)	5,843	11.8	3,460	8.5	1,587	8.5	2,370	13.0
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

*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.

## BUSINESS

- (2) Latin America includes Mexico, Argentina, Chile, Peru and others.
- (3) Other European countries include but is not limited to Switzerland, Spain, Portugal, Italy, Germany and Greece but excludes France.
- (4) APAC/Russia/MEA includes but is not limited to Asia Pacific Region, Russia and Middle East area.

The following is a breakdown of our revenue by types of customers during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
	(Unaudited)							
Retail chain store	16,049	32.5	16,693	41.2	7,667	41.3	6,641	36.4
Telecom operators	17,147	34.8	10,403	25.6	4,636	24.9	4,851	26.6
Others (Note)	16,139	32.7	13,464	33.2	6,282	33.8	6,744	37.0
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

Note: Others include distributor customers and other ad hoc customers.

The following table sets out the breakdown of our revenue, gross profit, and gross profit margin by products sold under each brand category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June					
	2015			2016			2016			2017		
	Gross profit		margin %	Gross profit		margin %	Gross profit		margin %	Gross profit		margin %
Revenue	Gross profit	Revenue		Gross profit	Revenue		Gross profit	Revenue		Gross profit		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
	(Unaudited)											
Licensed Products	39,567	10,220	25.8	34,233	9,623	28.1	16,058	4,493	28.0	15,769	4,109	26.1
Products sold under the Swissvoice brand (Note 1)	-	-	-	-	-	-	-	-	-	85	73	85.4
Others (Note 2)	9,768	2,561	26.2	6,327	1,896	30.0	2,527	715	28.3	2,382	693	29.1

Notes:

1. The reason of having high gross profit margin from Swissvoice brand for the six months ended 30 June 2017 (as compared to Licensed Products and others) is mainly due to the fact that we acquired the Swissvoice brand as well as its assets including inventory of finished products in November 2016 with a relatively lower purchase costs for inventory of finished products as compared to the products under the Licensed Marks or others customer brand names. Accordingly, higher gross profit margin resulted in Swissvoice brand.
2. Others include products sold under the brands of our telecom operators or large consumer retail chain store customers.

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For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our revenue for elderly telecommunication products amounted to approximately EUR5.1 million, EUR4.8 million, and EUR2.3 million respectively, our gross profit amounted to approximately EUR1.6 million, EUR1.4 million, and EUR0.7 million respectively, and our gross profit margin was approximately 30.6%, 30.0% and 28.3%, respectively. During the Track Record Period, the gross profit margin for elderly telecommunications products was higher than that for home telephone products.

### **OUR COMPETITIVE STRENGTHS**

We believe that our success to date and our potential for future growth are attributed to a combination of our competitive strengths set out as follows:

#### **Leading market position of our Group in the home telephone market**

According to the Frost & Sullivan Report, the Alcatel brand ranked third in terms of revenue for the year ended 31 December 2016 in the home telephone market segment in Europe, and the market is concentrated and dominated by a few large brands. During the Track Record Period, there is no abrupt change in the landscape of market competition and the key players continued to dominate the home telephone segment in Europe. Given the home telephone market is at a maturity stage and is shrinking in demand, a majority of the market share is dominated by the major players. During the Track Record Period, according to the F&S Report, the Alcatel brand increased its market share from 8.9% in 2015 to 9.1% in 2016 and 10.9% in the first half of 2017 respectively.

During the Track Record Period, our Group principally focuses on sales of the Licensed Products under the Licensed Marks. The major customers of our Group are large consumer retail chain stores, telecom operators and distributors in Europe and Latin America. We directly distribute our products to our major customers. Generally, in order to become an approved supplier of these large consumer retail chain stores and telecom operators, we have to pass through their internal procedures, such as meeting social commitment, environment commitment, obtaining Corporate Social Responsibility (CSR) certification etc., which might take a certain period of time, and which our Directors believe is an entry barrier to new entrants. Furthermore, as the home telephone market is dominated by a few major market players as disclosed above, we believe we can leverage on the Alcatel brand's market positioning as well which new competitors may not easily break into the established market share owned by the few major market brands.

According to the Frost & Sullivan Report, market size of elderly telecommunications products will grow at a CAGR of approximately 25.1% during 2017 to 2021. Our Group has been selling elderly telecommunications products during the Track Record Period and our Directors believe that our Group has gained relevant experience in this market segment. One of the future strategies of our Group is to expand the product range to include telecommunications products targeting at the elderly market as well as the visually and hearing impaired. Taking into account of the above, approximately 23.8% of net proceeds from the

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Share Offer will be allocated on developing elderly telecommunications products. Elderly telecommunications products include wireless door bells, wireless phone ringer, wireless motion detectors, bracelet with emergency buttons, which connect to the home telephones and the applications running on smartphones which are developed by in-house or third party software developers to send notifications to the default contact persons. Our Directors believe that the demand for elderly telecommunications products will be the growth driver of the home telephone sales and will also improve the sales of its peripherals.

We believe that our established market share in the home telephone market during the Track Record Period under the Licensed Marks, our established relationship with the large consumer retail chain stores and telecom operators and also our experience in development of elderly telecommunications products during the Track Record Period provide us with favourable market positioning in the telecommunications products market which our competitors may not easily replace us and allow us also to develop into new elderly product market in the future.

### **Established relationship with our major customers and suppliers**

We have a wide customer base. We have cultivated stable relationship with our major customers, including various telecom operators. During the Track Record Period, we supplied our telecommunications products to various countries. As at the Latest Practicable Date, we maintained business relationships with our five largest customers for over four years.

Our sales and marketing team maintains communications with our major customers and meet them from time to time. We attend trade fairs and exhibitions in Hong Kong and overseas where we would have the opportunity to meet our customers, exchange ideas on market trends, present new products and latest technology updates, and discuss their business needs. We believe that consistent ability to meet our customers' design and quality requirements and deliver products on time is key to maintain existing customer relationships. We believe that by being able to offer our customers product design solution that meets their requirements, we can demonstrate our design capability and they are less likely to look elsewhere when the need to expand their own product line arises, which increases the likelihood that they will continue to place orders with us and is conducive to maintaining long-term business relationships.

We have established and also maintain a stable business relationship with our major suppliers. We believe that maintaining a few stable and reputable manufacturing subcontractors for production of our telecommunications products and monitoring products can facilitate consistency and quality control of our products which could in turn maintain our customers' satisfaction. Our product management and design team had worked closely with our major suppliers. As at the Latest Practicable Date, we had established and maintained business relationship with our five largest suppliers ranged from two to four years.

### **Wide product distribution network across the globe with offices located in Hong Kong, the PRC, France, Mexico, Spain and Switzerland**

We sold our telecommunications products to various countries during the Track Record Period. We have set up our main offices in Hong Kong and France, and also other offices in

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the PRC, Mexico, Spain and Switzerland in order to better serve our customers and explore new businesses in these overseas markets. Our sales and marketing team will directly liaise and work with our existing and potential new customers. Our sales and marketing team will also provide timely feedbacks on product designs, market trends, and customer preference back to our product management and design team in Hong Kong. We believe having business presence in overseas markets will improve our product knowledge and assist us to meet our customer's needs and expectations in other countries. We also sell our products to local distributors to further expand our distribution network.

### **Established brand name of the Alcatel brand**

We commercialise and sell most of our home and office telecommunications products under the Licensed Marks. We have entered into the License Agreement to distribute and sell our Licensed Products under the Licensed Marks until December 2027. For further details, please refer to the paragraph headed "License Agreement with Alcatel Lucent" under this section of the prospectus.

The Alcatel brand is an established brand in France licensed by Alcatel Lucent. In 2016, Alcatel Lucent merged with Nokia and we will continue to sell our Licensed Products under the Licensed Marks. We believe that our products developed and sold under the Licensed Marks allow us the global exposure and also provide stability and confidence to our customers regarding our product quality.

### **Our commitment to environment, health and safety through our integrated management systems**

We strive to be recognised by our employees, customers, community and shareholders as a responsible organisation that conducts our business in a manner that conserves the environment, minimises pollution, and protect our employees from hazards. We have implemented an integrated management system based on the ISO 9001 certification, ISO 14001 certification and OHSAS 18001 certification standard regarding quality control, environmental, and occupational and health and safety.

Our performance on corporate social responsibility ("CSR") has been recognised by our awards including the Gold Medal Recognition Level issued by EcoVadis in September 2016, and also being awarded as the best scored company for the sustainability leadership regional awards in the AMEA (Asia, Middle East, Africa) area for 2016 in May 2017 by EcoVadis. In June 2017, we are also recognised as the top performer in our corporate social responsibility practices within the manufacturing and assembling of Information Communication Technology ("ICT") equipment sector on the ICT Leadership Index launched by the Global e-Sustainability Initiative for SME companies. We also support the 10 principles of the United Nations Global Compact to enforce our commitment to all the stakeholders in our business.

### **Experienced management team with extensive industry experience**

Our Directors have extensive experience in the electronics and telecommunications products industry. Mr. Goujard, our executive Director and chief executive officer who is

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mainly responsible for product and market development, has more than 30 years of industry experience, such as sales and marketing of telecommunications products. Mr. Duc, another of our executive Director, has more than 20 years of industry experience, in particular sales and marketing of telecommunications products in Europe. Mr. Long, our non-executive Director, has approximately 30 years of experience in the electronics industry in manufacturing and sales of electronics and other related products, which provided him with knowledge and experience that facilitates us in understanding and meeting our customers' needs, as well as providing strategic business directions to our business operations. Our senior management, together with our sales and marketing team, pay visits from time to time to our existing and prospective customers to understand and react timely to our respective regional consumers' needs and preferences.

### **Our product management and design capabilities to cater for technology development trends and customers' needs**

We consider that product design, management and innovation are key factors for a competitive edge in the industry we operate in. Our product design and management capabilities enable us to continuously develop our products. We take pride in having a dedicated product management and design team consisting of seven staff members based in Hong Kong as at the Latest Practicable Date led by our chief executive officer Mr. Goujard. We also have our own internal industrial designer and graphic designer to assist our product management and design team as they will work together to shape our products and also to define the user interface. We believe that our product development and design capabilities is key to appeal to and quickly adapt to customers' needs, maintain business relationship with existing customers as well as exploring new business opportunities.

### **Proven track record on product quality and delivery**

We have adopted the ISO 9001 certification standard which provides the framework for management review of our production processes and is subject to international organisation for standardisation inspection annually. We are required by the ISO 9001 certification standard to maintain stringent quality control and assurance tests from the product development phase, the manufacturing phase at our subcontractors, up until the outgoing quality assurance of finished products. We acknowledge the importance of product functionality and reliability and we perform checks on our products during the design and development phase and the delivery phase before they are delivered to our customers. During the Track Record Period, we did not receive any material complaints from our customers in relation to the quality of our products, none of our customers made any material warranty claims against us and no material product recalls were made by our customers.

We also perform customer satisfaction measurement by conducting surveys and reviewing their feedback. Our management and sales and marketing team will follow up from time to time, based on the customers' feedback and implement corrective and preventive actions when there are any indications for needs of improvement regarding our products.

### **OUR BUSINESS STRATEGIES**

We strategically strive to be one of the leading suppliers with design capability by enhancing our product management capabilities, increasing our market penetration in existing

markets, expanding our customer base and exploring new overseas markets. We intend to implement the following strategies to capitalise on our strengths so as to further enhance our business prospects and profitability:

### **Strengthening our product management capabilities**

Our products are well regarded by our customers for their quality and feature package which is largely attributable to our product management and design team's effort to optimise and integrate the hardware and software used in our products. We strive for providing full range of features with latest technologies at competitive prices. We plan to strengthen our product design capabilities through expansion of our product management and design team. We intend to expand into research and development for software development and application solutions. Currently, our subcontracting manufacturers would assist in development of our product software during the production stage. We believe that focusing on development of software rather than hardware will enable us to increase our competitiveness against our competitors in the long run due to its ubiquitous presence in many electronic products including IP phones. Furthermore, by expanding our product management and design team, we may also be able to bid for more projects for telecom operators.

### **Expansion of our product range including developing telecommunications products targeted at the elderly market as well as the visually and hearing impaired and also providing other ancillary services to our telecommunications products**

We aim to focus on marketing and development of new products including telecommunications products for the elderly targeted in particular in the European markets. The new products would be sold under the Licensed Marks or Swissvoice brand depending on the markets which the products are sold. They would have features that would appeal to our target customers in different market sectors. Currently, we have already developed certain telephone products under the Licensed Marks targeting and addressing the needs of the elderly market with features such as larger input keys and special dial keys with pictures of the recipient caller which are user friendly to the elderly. As we believe that the telecommunications market targeting the elderly is a developing and rising market in Europe due to changing demographics resulting from an aging population, we aim to further develop these elderly friendly telecommunications products, including smart home products targeted to the elderly market. Furthermore, we aim to develop other telecommunications products with features such as voice control functions to assist the elderly or other users with special needs, for instance, users who suffer from visual impairment. For instance, we have developed products with bigger screens, voice caller identification and voice control digit to suit the needs of the visually impaired.

Currently, the Group offers elderly telecommunications products with features which are uncommon in our home telephones. Elderly telecommunications products are designed with features such as better grip, bigger screen, bigger buttons, extra loud ringer, louder speaker phones etc., which offer simplicity and enhanced audio and visual effects that fit the needs of the elderly. Down the road, the nature of our elderly telecommunications products we target to

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develop include (a) products for elderly with aged related hearing loss with features such as adjustable volume and ringer control additional speaker and blinking LED; (b) products for elderly with impaired vision with features such as large buttons, voice confirmation that repeats number being dialed, voice prompt caller identification, large screen display, auditory message indicator and speed dial with large pictures for frequently called numbers; (c) products for elderly with poor memory with features such as reminder function for taking medications and appointments; (d) products for elderly with limited mobility such as cordless phone which enables elderly with difficulty in movement to pick up phones in time; and (e) other smart home devices such as IP cameras which enable elderly to maintain their social lives through communication with their families and friends.

To achieve the above, the Group has been developing peripherals and related in-house applications to connect with our elderly telecommunications products. These include (i) wireless doorbell which enables the visitor to communicate with the user through our home telephone products, (ii) wireless phone ringer repeater which signals the phone ring at a distance on our home telephone products, (iii) bracelet with emergency button which connects to home telephones or send notifications with our in-house or third-party developed applications running on smartphones to the emergency hotline or family members, and (iv) wireless motion detector which connects to the emergency hotline or family members and sends notifications via our in-house applications if no motion is detected for a prolonged period of time.

For the two years ended 31 December 2016 and six months ended 30 June 2017, the revenue attributable to the sales of elderly telecommunications products amounted to approximately 10.4%, 11.7% and 12.8% of our Group's total revenue respectively.

Notwithstanding the relatively low proportion of the revenue contribution from the sales of elderly telecommunications products during the Track Record Period as mentioned above, it is expected that such proportion of sales of elderly telecommunications products to the total revenue of the Group will increase going forward.

As confirmed by our Directors, some of our Group's customers had indicated that they are interested in purchasing our elderly telecommunications products for onward sales to their end customers. From time to time, the sales and marketing team will have meetings with the major customers and understand their feedback and their future needs. Based on the meetings between us and our major customers, some of the major customers have expressed their interests in our elderly telecommunications products. For example, Customer B has placed orders for such elderly telecommunications products which are to be delivered by us to Customer B in first quarter of 2018.

From 1 January 2017 and up to the Latest Practicable Date, the Group has recorded revenue of approximately EUR4.9 million from elderly telecommunications products and manage to take up purchase orders from customers which are to be delivered in December 2017 of approximately EUR0.1 million.

We also aim to develop our other ancillary services which include value-added services on our elderly telecommunications products such as setting up intranet networks to facilitate



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communication between the elderly and their families, controlling home appliances and implementing emergency alert functions for monitoring of the safety and daily activities of the elderly. We believe that by concentrating on a small but specific and well defined segment of the population such as the visually and hearing impaired, it will be profitable in the long run. In order to promote these ancillary services, we plan to offer these services to customers on a complimentary basis upon their initial purchase of our telecommunications products and then begin charging them on a monthly or yearly basis after a trial period. We believe that such initial offerings would encourage recurring subscription from our customers.

We also target to develop our smart home products including baby monitors, IP cameras, and smart home connected products as mentioned above. For the two years ended 31 December 2016 and the six months ended 30 June 2017, our revenue attributable to this sub category of other products amounted to approximately EUR491,000, EUR528,000 and EUR311,000 respectively. Regarding our smart home products, we target to place purchase orders for new moulds and toolings for new models of IP camera products and also upgrade or replace our existing server system for such smart home products. For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

### **Developing and further strengthening of our Swissvoice brand**

Although most of our products developed and sold are under the Licensed Marks during the Track Record Period, our strategy is to increase our marketing on the development of our Swissvoice brand and further strengthen our products portfolio under the Swissvoice brand in order to diversify our brand image and focus on our own brand development. We aim to develop telecommunications products and services, in particular for the elderly, under the Swissvoice brand. We believe by developing and strengthening our own product brand, we can diversify our product branding and benefit from having an alternative line of products under the Swissvoice brand which could complement our existing product line under the Licensed Marks.

### **Broaden our customer base and further diversify in European markets**

We aim to broaden our geographical coverage. We intend to replicate our experience and apply to other markets and target well established local retailers and telecom operators in the telecommunications market. Becoming a supplier to well-established enterprises would require us to go through their selection process. We believe that once they have selected us to be one of their suppliers after strict assessment, they tend not to switch suppliers so as to ensure consistency in the quality of their products.

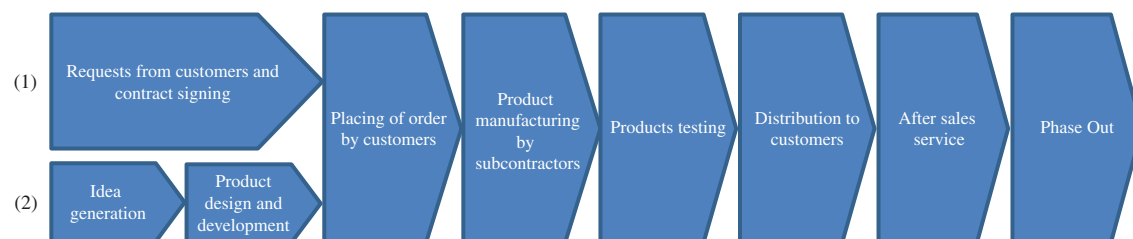
We plan to increase our sales and marketing force to broaden customer base in existing markets such as France and other parts of Europe such as Germany, Netherlands and the UK. We would also need to increase our resources in product management as mentioned above to develop and market telecommunications products for customers in these markets. With our new lines of products strategically planned to be developed, we aim to expand our customer base to the medical and hospitality sectors, to customers such as hospitals and hotels which may be interested in or may have needs for our elderly telecommunications products and other IP products.

### **Establishment of strategic partnerships with design houses and manufacturing subcontractors to improve our research and design capabilities**

We are exploring to develop strategic partnership with design houses and manufacturing subcontractors to enhance our relationships with our business partners, strengthen our presence in relevant markets and also improve our research and development capabilities. Our Directors will be very selective in the process and will strategically consider a range of matters, including the potential partner's portfolio, past experience in the industry, shareholding structure, financial conditions and operational compliance. Save as our joint venture with HK Sipall, as at the Latest Practicable Date, we have not entered into any binding agreement with any suitable partner or target for such partnership and our management would actively explore and consider such opportunities from time to time.

### **OUR BUSINESS MODEL**

The following diagrams illustrate the two major business models of our design, development and sales of our telecommunications products and smart home products:



#### **Requests from customers**

Customers would send us their requirements on the products that they may order from us. We would choose from existing products based on their requirements. We may also consider modifications on our existing products. Customers may provide their feedback to us. We would provide a price quotation and product specifications to our customers.

For our overseas telecom operator customers, these customers would generally provide to us their general conditions and technical specifications of the requested products, the quantity, and delivery time expected. We may create a business plan and send it to the telecom operator customer for bidding of the project.

#### **Idea generation**

Alternatively, we also develop new product designs or improve product features on our own initiatives. We internally work closely to develop new products or modify existing products after considering market trends, the product of our competitors and feedbacks from existing customers.

#### **Product design and development**

Rough specifications for the new product which include its list of features, its user interface, its aesthetic and ergonomic design, etc as well as the proposed contract terms with the suppliers would be determined, to be followed by official development of these products.

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We would communicate with the customers regarding the new product specifications, including a sample to be delivered to some of our key customers and the supplier for user testing and feedback. We would then seek potential customers to place orders on the new products.

### **Placing of orders by customers**

If a customer wishes to place an order with us, we shall negotiate the contractual terms with our customers. According to our internal policy, we shall review whether we can deliver by the expected date from the purchase orders from our customers, and also we will check whether the selling price is below the minimum selling price we determined for such product. If we accept the purchase order placed by the customer, we would send the proforma invoice or sales acknowledgement to the customer.

### **Product manufacturing by subcontractors**

We do not manufacture the products ourselves and we engage independent subcontractors to manufacture our products. We would provide the subcontractor our purchase requests with product specifications and expected delivery time and request them to provide us with a quotation.

For further details of our supplier selection criteria and subcontracting arrangements, please refer to the paragraph headed “Outsourcing and production management” in this section of the prospectus.

### **Product testing**

During the manufacturing phase, we request the new products to be released in batches. The first batch would be tested against its product specifications and any bugs or errors would be recorded in a report and is sent to the subcontractors for corrective actions to be carried out accordingly. The products are tested and inspected by the subcontractors themselves, but we would also perform a final inspection check of the products at the manufacturing site of the subcontractors before acceptance of the products by us.

### **Distribution service and logistics**

After the products are manufactured by our subcontractors and prior to its release, we would collate third party inspection reports and obtain certificates of compliance on the new products. Then, we shall arrange delivery of our products from the subcontractors to the customers directly or to third party logistics warehouses for further distribution to our customers.

### After-sales services and phase out

We also provide after-sales and hotline services, including but not limited to technical support to our customers. We have a product refusal process whereby our customers may refuse to accept the products due to reasons such as missed delivery date, shipment after order was cancelled, and damaged product upon arrival to the customer. According to our internal policy, our sales and marketing team will negotiate with the customers and if the refusal is accepted due to valid reasons, we will arrange for third party logistic providers to deliver the product back to us for quality inspection. In the event that the refusal is not due to defective product, we may keep the product in stock and put the product back for sale in the future. For returns due to defective product, it has to be approved by our quality control department after inspection. A customers' complaint review would be generated for the purposes of improving our services in the future. Finally, we would phase out our products from time to time.

### OUR PRODUCTS

We have three product categories:

#### *Home telephones*



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### *Office telephones*



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*Other communication devices: such as IP Camera, IP baby monitor, smart home solutions, and conferencing phones*



### **Product life cycle and seasonality**

We consider that the life cycle of our products depend on the level of profitability, the demand of our products, the level of competition, the launching of new substitute products and the pace of technological development. According to the F&S Report, the life cycle of home and business phones is usually 12 to 36 months, and the life cycle of smart home products is usually 6 to 18 months.

Our Group's revenue is subject to seasonality. During the Track Record Period, we typically experienced higher sales in the last quarter of a calendar year (i.e. from October to December), which our Directors consider to be generally attributable to increased demand for our products from customers for shopping seasons such as Christmas sales in December.

### **SALES AND MARKETING**

As at the Latest Practicable Date, our sales and marketing team consisted of 20 sales personnel led by our chief executive officer Mr. Goujard (divided into three regional sales team including Asia, Europe and Latin America) and were responsible for sales to customers covering various countries. Our sales and marketing team will liaise with customers to collect customer feedbacks with a view to ensure product designs meet our customers' specifications and provide after-sales services. Our sales and marketing team will arrange for attending exhibitions to display our products for potential customers and set up meetings with our customers for product development.

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### Sales

We believe that being close to the customer and having a physical presence in the countries which we sell to are crucial to understanding the local needs of customers in those overseas markets. Physical proximity to the customer also helps us to determine the pricing for our products. Our products are sold under our own licensed brand names including the Licensed Marks and the Swissvoice brand owned by us, or our customers' own brand names at their request. We have commenced offering products to these markets during the Track Record Period. To the best of our Directors' knowledge, the penetration rate of these telecommunications products with advanced functionalities in emerging markets such as certain Southeast Asian countries and Latin American countries has been lagging behind those in developed countries, such as western Europe. As such, we have started to establish our business relationship also with well-established customers in certain developing countries in Southeast Asia and Latin America.

### CUSTOMERS

For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, we had a total of 184, 202 and 160 customers, respectively. As at the Latest Practicable Date, we had maintained business relationships with our five largest customers for over four years and we had maintained over four years of business relationship with our largest customer for the Track Record Period.

To the best of our Directors' knowledge, our customers include large consumer retail chain stores, telecom operators and distributors in Europe and Latin America.

The revenue attributable to our largest customer amounted to approximately EUR5.5 million, EUR4.3 million and EUR2.6 million for each of the two years ended 31 December 2016 and six months ended 30 June 2017, respectively, which accounted for approximately 11.2%, 10.6% and 14.3% of our total revenue for the corresponding periods, respectively. The revenue attributable to our five largest customers amounted to approximately EUR20.2 million, EUR16.1 million and EUR7.2 million for each of the two years ended 31 December 2016 and six months ended 30 June 2017 respectively, which accounted for approximately 40.9%, 39.8% and 39.5% of our total revenue for the corresponding periods, respectively.

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The information below sets out our five largest customers for the Track Record Period, our years of relationship with them and their background information.

<b>Five largest customers for the year ended 31 December 2015</b>	<b>Approximate amount of revenue <i>EUR'000</i></b>	<b>Approximate percentage to our total revenue %</b>
Customer A	5,533	11.2
Customer B	4,904	9.9
Customer C	3,498	7.1
Customer D	3,381	6.9
Customer E	2,849	5.8

<b>Five largest customers for the year ended 31 December 2016</b>	<b>Approximate amount of revenue <i>EUR'000</i></b>	<b>Approximate percentage to our total revenue %</b>
Customer A	4,296	10.6
Customer B	4,181	10.3
Customer D	3,193	7.9
Customer E	2,628	6.5
Customer F	1,835	4.5

<b>Five largest customers for the six months ended 30 June 2017</b>	<b>Approximate amount of revenue <i>EUR'000</i></b>	<b>Approximate percentage to our total revenue %</b>
Customer B	2,608	14.3
Customer A	1,566	8.6
Customer D	1,476	8.1
Customer F	863	4.8
Customer E	681	3.7



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Name of customer	Year of commencement of business relationship with our Group	Background information	Location	Main products sold by our Group during Track Record Period	Credit Period
Customer A	2013	a telecom operator providing local and long-distance telecommunications services, and internet and broadband services throughout Mexico	Mexico	Home telephones and office telephones	60 days
Customer B	2013	a telecom operator providing consumers, businesses and other telecommunications operators with a range of services, including fixed telephone and mobile telecommunications, data transmission and other value-added services	France and Spain	Home telephones, office telephones and other products	Ranging from 60 to 90 days
Customer C	2013	a telecom operator offering private and public telecommunications, local and long distance telephone, paging, calling cards, internet access and cellular telephone services	Argentina	Home telephones and office telephones	60 days
Customer D	2013	offering editorial products, consumer electronics, small and large household appliances, electronic equipment and entertainment products	France	Home telephones, office telephones and other products	60 days
Customer E	2013	operating hypermarkets, supermarkets and specialists shops	France	Home telephones, office telephones and other products	60 days
Customer F	2013	operating hypermarkets, supermarkets, cash and carry stores, and e-commerce websites which offers consumer goods, food and non-food, household, textiles, electronics, home appliances and local products	France	Home telephones, office telephones and other products	45 days

To the best of our Directors' knowledge, all our five largest customers during the Track Record Period were Independent Third Parties and none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of the Shares in issue as of the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period.

**BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS**

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries.

**Sales to Countries subject to International Sanctions**

During the Track Record Period, we sold our products, namely home and/or office telephones, to certain Countries subject to International Sanctions, including Cuba, Egypt, Ivory Coast, Lebanon, Russia, Tunisia, Ukraine and Zimbabwe. Particularly, Cuba is subject to very comprehensive economic sanctions. Our revenue derived from sales to these countries amounted to approximately EUR1.1 million, EUR1.2 million, and EUR0.4 million, respectively, representing approximately 2.3%, 2.9%, and 2.3% of our total revenue, respectively, during the Track Record Period. In relation to our sales to customers in Countries subject to International Sanctions during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the European Union, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales did not involve industries or sectors that are currently subject to specific sanctions by the U.S., the European Union, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC or HKSCC nominees to risk of being sanctioned. We are advised by our International Sanctions Legal Advisers that, among other things, the sanction risk exposure to our Group for our activities during the Track Record Period is very low.

As advised by the International Sanctions Legal Advisers, our sales to customers located in Countries subject to International Sanctions during the Track Record Period have not appear to implicate the prohibition and wider restrictions under International Sanctions administered and enforced by the U.S., the European Union, the United Nations or Australia based on the following steps completed:

- (a) reviewed documents provided by us that evidence our completed and potential sales transactions to customers in Countries subject to International Sanctions, during the Track Record Period;
- (b) received written confirmation from us that neither our Group nor any of our affiliates (including our representative offices, branches, subsidiaries or other entities of our Group) has conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions; and

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- (c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions maintained by the U.S., the European Union, the United Nations or Australia, and confirming that none of our customers are on such lists.

We confirm that, save as disclosed above, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any other direct or indirect business activities in connection with any countries, governments, entities or individuals 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.

We plan to continue to generate sales of products from customers located in Countries subject to International Sanctions, subject to full compliance with our internal control measures as described in the paragraphs headed “Our undertakings and internal control procedures” in this section of the prospectus.

### **Our undertakings and internal control procedures**

We have undertaken to the Stock Exchange that, after Listing, we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions 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.

In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. Further, we have undertaken to the Stock Exchange that we will under no circumstances use the proceeds from the Share Offer or any other funds raised through the Stock Exchange, directly or indirectly, to finance or facilitate any projects or businesses in Countries subject to International Sanctions. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

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We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus:

- we have 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 or any other funds raised through the Stock Exchange;
- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Goujard, Ms. Chan and Ms. Lam, and their responsibilities include, among others, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks;
- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, the risk management committee needs 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 will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will check 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 determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;
- in order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Share Offer, 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;
- the risk management committee will periodically review our 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;

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- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our 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 our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches; and
- regarding our distributor customers, we will use our best efforts to ensure in the future that our distributor customers shall warrant to us, either in our contracts with such distributor customers, or through their delivery of an annual certification to us, that they are complying with International Sanctions laws in the sale or delivery of our products. In addition, in the event that they 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 us with the identity of such end customers prior for us to confirm whether such end customers are Sanctioned Persons, and our products shall not be sold to such end customers if such sale could result in any breach of international sanctions laws.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Company to comply with our undertaking to the Stock Exchange.

Having taken the advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist the Company in identifying and monitoring any material risk relating to sanction laws.

### **DISTRIBUTOR CUSTOMERS**

We generated approximately EUR6.5 million, EUR6.8 million and EUR3.7 million in revenue from sales to distributor customers for the two years ended 31 December 2016 and the six months ended 30 June 2017 respectively, accounting for approximately 13.2%, 16.8% and 20.2% of our total revenue from sales of our products for the same periods.

We have a seller/buyer relationship with our distributor customers. We recognise our revenue when the products are delivered to the distributor customers and accepted by them. We do not allow product returns or refunds for our products sold except for quality issues. We sell our products designed by us and manufactured by our manufacturing subcontractors. We believe that this business model allows us to reach a broader consumer base and grow our business at relatively lower costs. According to the Frost & Sullivan Report, this is a common business model in the telecommunications product distribution industry.

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The following table sets forth the number of our distributor customers by geographical location during the Track Record Period:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
France	11	10	10
Latin America ( <i>Note 2</i> )	4	3	3
Other European countries ( <i>Note 3</i> )	5	10	16
APAC/Russia/MEA ( <i>Note 4</i> )	6	5	5
<b>Total</b>	<b>26</b>	<b>28</b>	<b>34</b>

*Notes:*

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

The following table sets forth the changes in the number of our distributor customers during the periods indicated:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
During the year/period	26	28	34
Additions from the previous year/period	10	13	12
Termination from the previous year/period	(8)	(11)	(6)
Net increase	2	2	6

The increase of distributor customers during the Track Record Period were primarily attributable to our Group's increased marketing efforts to attract more distributor customers for sales of our products.

The termination of distributor customers during the Track Record Period were primarily attributable to minimal purchase orders have been made with us by them.

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### **Distribution agreements with our distributor customers**

We typically enter into framework sales agreements with our major distributor customers which generally include the following principal terms:

Agreement duration:	Generally from one to two years.
Main provisions and exclusivity:	We generally shall provide our products to the distributor for non-exclusive distribution in particular geographical areas.
Duties of the distributor:	<p>The distributor shall carry out appropriate advertising and promotion of the products, maintain sufficient inventory of the products, and conducting business in a manner that will reflect favourably on our Group.</p> <p>We shall have the right to review the distributor's books and facilities including the authorised sub-distributors or sales representatives to ensure that the distributor has complied with its obligations under the agreement including use of trademarks provided by us. The distributor shall obtain and keep in force all authorisations and certifications required for importing, marketing or using the products.</p>
Duties of our Group:	We shall assist the distributor in the promotion and sales of the products including basic training of the management of the distributor regarding our products. We shall have the right to modify the products from time to time and also discontinue the sales of certain products in which case the agreement shall terminate for such product.
Price:	Price list is provided to the distributor as set forth in the agreement, but we may revise the price from time to time upon prior written notice to the distributor.
Intellectual property rights:	We shall grant to the distributor a non-exclusive and non-transferable authorisation to use our trademark in the sale and promotion and marketing of the products.

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Return:	The return of products must be authorised by us and we generally do not accept sales returns except for product quality issues.
Warranty:	18-24 months warranty on parts and labour from the date of delivery of the products to the end-users.
Credit term:	Credit period of 30 to 90 days.
Consignment stocks:	The distributor may request us to provide an inventory of consignment stock of products at the distributor's warehouse. The distributor shall insure the consignment stock as if it were its own against damage, loss and third party liability claims. Upon the distributor placing order to us, they may then withdraw the consigned products from the warehouse. We shall issue the invoice to the distributor at the end of the month. We are entitled to freely dispose of the consignment stock and remove the consignment stock with prior written notice to the distributor.
Year-end rebates:	The distributor may be entitled to a year end rebate upon achieving a net invoice target amount annually.
Termination clause:	The agreement shall terminate at the end of the term. In the event of a breach of the terms of the agreement, the breaching party shall remedy the breach, otherwise the other party may terminate the agreement.

### **Management of our distributor customers**

We generally do not grant any geographic or other exclusivity to any distributor customer. We do not require distributor customers to meet any sales or expansion targets requirements or provide guarantee of a minimum resale value. We usually renew agreements with distributor customers and do not terminate any distributor customer unless we have reasons to believe the distributor customer is not able to meet its payment obligations or if we do not receive minimal purchase orders from such distribution customers. For the two years ended 31 December 2016 and the six months ended 30 June 2017, the amount of rebate paid to distributor customers were approximately EUR155,000, EUR167,000 and EUR60,000 respectively.

We prevent the occurrence of channel stuffing through adopting a strict product return policy that we generally do not accept product return from our customers except for quality issues.



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We generally will not engage more than one distributor customer in the same area out of good faith and as such we believe it is unnecessary to implement any other measures to avoid cannibalisation and competition among our distributor customers. Our Directors also believe that there is no cannibalisation and competition among our large retail chain store customers, telecom operator customers and distributor customers.

### PRICING POLICY

We generally set our product price with reference to our competitors' products price, market competition, production cost including outsourcing manufacturing costs and complexity of the product design and features along with the strategic value of the customer, and whether products of similar features are available on the market. We will also set a minimum selling price for each of our products based on a minimum profit margin we target for each product.

For certain customers whom we grant credit period, we may purchase credit insurance for them. We consider the granting of our credit terms based on the size, reputation, past business relationship and potential business opportunities with the customers. During the Track Record Period, we have generally granted credit terms from 30 to 90 days to our customers. For certain customers, we may require payment in advance if they are new customers or customers of smaller size. Our customers usually settle payment by telegraphic transfer or letter of credit up to the credit term granted to them.

### AGREEMENTS RELATING TO SALES

Save as Customer B, we generally do not enter into long-term agreements with our major customers. Our customers' orders are confirmed by purchase orders placed with us, which include terms such as the product specifications, quantity, price, payment terms and delivery time and method.

The key terms of our framework agreement with Customer B include the following principal terms:

Agreement duration:	Three years
Main provisions and exclusivity:	We shall provide our products to Customer B for non-exclusive distribution, promotion and/or sale via their different distribution channels in particular geographical areas.

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Duties of Customer B:	<p>Customer B shall advise our Group of all information necessary for the performance of their obligations.</p> <p>Customer B shall keep our Group immediately informed of all difficulties and/or elements brought to their attention and/or likely to have an impact on the supply of the products by us.</p> <p>Customer B shall send our Group their forecast orders or stocks from time to time prior to making their delivery orders.</p>
Duties of our Group:	<p>We shall act in accordance with all the documents, instructions and procedures that is provided to Customer B.</p> <p>Our Group shall deliver the agreed number of products to Customer B within agreed deadlines at our exclusive cost and risk.</p> <p>We commit to comply with all the necessary clearances, authorizations, relevant specifications for the exercise of its activities.</p> <p>We may pay Customer B a minimum contribution percentage of the total amount of product purchases made by Customer B during the year in question, in return for the implementation by Customer B of business cooperation services.</p> <p>We shall inform Customer B as soon as it is aware of any events that may affect their brand image or the products.</p>
Price:	<p>The parties have agreed together on the determination of the price of the products.</p>

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Intellectual property rights:	<p>We shall grant Customer B a right of non-exclusive use of the software that is integrated into the products in an executable version for the lifespan of the products.</p> <p>We do not have any right over the brands that are exclusively owned by Customer B and commits not to use their brands without prior written consent of Customer B.</p> <p>Where our Group fails to comply with delivery deadlines for longer than certain days, Customer B may cancel the order within a certain time without compensation.</p>
Return:	<p>We shall bear all costs when our products are withdrawn from the market at our initiative or following a decision of the competent authorities for any reason whatsoever.</p>
Penalties:	<p>Where our Group delays in payment, delivery or any form of non-compliance, Customer B may apply penalties for a certain percentage of the value of the order in question per working day of delay.</p> <p>Where our Group fails to comply with delivery deadlines for longer than certain days, Customer B may cancel the order within a certain time without compensation.</p>
Payment term:	<p>We shall supply an invoice to Customer B and Customer B shall make payment by transfer or cheque within a certain number of agreed days.</p>

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Termination clause: In the event of an omission by us relative to any of our obligations under the contract or the order, Customer B shall have the right to terminate the contract or order in question, if the omission has not been fully remedied within a period or the omission is not possible to be remedied, and this is subject to any damage and interest that Customer B may claim.

Customer B may also terminate the contract if we sell or transfer all part of our capital in any operation to a competitor of Customer B, or to a company directly or indirectly controlled by a competitor of Customer B.

For the two years ended 31 December 2016 and the six months ended 30 June 2017, the amount of payment made to Customer B in connection with business cooperation services were approximately EUR26,350, EUR48,500 and EUR18,000 respectively.

### PRODUCT DESIGN AND DEVELOPMENT

We believe that product design and development capabilities are crucial to success in the telecommunications products market.

As at the Latest Practicable Date, our product management and design team comprised of eight staff members led by Mr. Goujard. We also have an internal product designer to discuss with other members of our product management and design team regarding development of any new products. Our product management and design team will also monitor our manufacturing process which is outsourced to Independent Third Party manufacturing subcontractors to ensure that the quality of our products would satisfy specifications as required by our customers and also relevant safety regulations and industry standards.

### SUPPLIERS

We adopt a set of criteria in supplier selection. As of the Latest Practicable Date, we maintained an approved supplier list where we conduct an internal evaluation every time we use a supplier. We select our suppliers based on our past relationships with them, product quality, product defect ratio, reputation and scale of operations, their technical know-how, and pricing. Where we decide to go for a new supplier, we would only offer them a small volume of our products. We aim to maintain long term relationship with our suppliers to maximise our bargaining power in terms of pricing and priority in production and demand for stock.

As at 30 June 2017, we have maintained business relationship with our suppliers, including our manufacturing subcontractors, for two to four years. Our major suppliers may grant us a credit term of up to 80 days.

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During the Track Record Period, the purchase from our largest supplier amounted to approximately EUR20.6 million, EUR19.3 million and EUR7.1 million for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, representing approximately 53.4%, 61.5% and 59.7% of the total purchase of the Company for the corresponding periods respectively. The purchase from the five largest suppliers amounted to approximately EUR37.6 million, EUR31.1 million and EUR11.6 million for each of the two years ended 31 December 2016 and the six months ended 30 June 2017 respectively, representing approximately 97.4%, 99.2% and 97.1% respectively of the total purchases of each relevant periods. To the best of our Directors' knowledge, all of our five largest suppliers during the Track Record Period were Independent Third Parties and none of our Directors and their respective close associates and any of the Shareholders holding more than 5% of our Company's share capital as of the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

The information below sets out our five largest suppliers for the Track Record Period, our years of relationship with them and their background information.

<b>Five largest suppliers for the year ended 31 December 2015</b>	<b>Approximate purchase amount <i>EUR'000</i></b>	<b>Approximate percentage to our total purchase %</b>
Supplier A	20,605	53.4
Supplier B	10,164	26.3
Supplier C	4,241	11.0
Supplier D	1,479	3.8
Supplier E	1,133	2.9
<b>Five largest suppliers for the year ended 31 December 2016</b>	<b>Approximate purchase amount <i>EUR'000</i></b>	<b>Approximate percentage to total purchase %</b>
Supplier A	19,303	61.5
Supplier B	6,679	21.3
Supplier C	3,188	10.2
Supplier F	1,288	4.1
Supplier D	675	2.1

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<b>Five largest suppliers for the six months ended 30 June 2017</b>	<b>Approximate purchase amount EUR'000</b>	<b>Approximate percentage to total purchase %</b>
Supplier A	7,128	59.7
Supplier B	2,699	22.6
Supplier C	812	6.8
Supplier F	652	5.5
Supplier G	299	2.5

<b>Name of supplier</b>	<b>Year of commencement of business relationship with our Group</b>	<b>Background information</b>	<b>Location</b>	<b>Main products/ services provided to our Group during Track Record Period</b>	<b>Credit period</b>
Supplier A	2013	Design, manufacture and distribution of telecommunications products	Hong Kong/ PRC	Home telephones, office telephones and other products including IP camera, IP baby monitor, smart home solutions and conferencing phones	55 days
Supplier B	2013	Manufacture and trading of telecom, audio, mobile accessories products	Hong Kong/ PRC	Home telephones, office telephones and other products	Ranging from 60 to 80 days
Supplier C	2013	Manufacture and trading of telecom products	Hong Kong	Home telephones, office telephones and other products	60 days
Supplier D	2013	Manufacture and trading of telecommunications devices	Hong Kong	Home telephones	55 days
Supplier E	2015	Manufacture, design and development of wireless communication products and peripheral accessories	Hong Kong	Home telephones	60 days
Supplier F	2015	Research and development, manufacture and sale of telecommunications products	PRC	Home telephones	45 days
Supplier G	2015	Research and development and manufacture of telecommunications products	PRC	Home telephones	60 days

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Most of our suppliers are electronics manufacturers and suppliers in Hong Kong with their factories in the PRC. Although we outsource the production of our products to a few manufacturing subcontractors during the Track Record Period, our Directors confirm that we are constantly looking 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. For our risk relating to reliance on major suppliers, please refer to the section headed “Risk Factors” of this prospectus for further details.

### **ENTITY THAT WAS BOTH OUR MAJOR SUPPLIER AND CUSTOMER**

During the Track Record Period, we provided some of our products to, and outsourced the manufacturing and production of some of our products to the same entity from time to time.

During the Track Record Period, we recorded other income from Supplier A of approximately EUR41,000, EUR51,000 and EUR27,000, representing approximately 15.9%, 25.1% and 38.4% of our other income for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, respectively. We also outsource some of the manufacturing and production of our products to Supplier A. Our purchases from Supplier A amounted to approximately EUR20.6 million, EUR19.3 million and EUR7.1 million, representing approximately 53.4%, 61.5% and 59.7% of the total purchase for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, respectively.

For the two years ended 31 December 2016 and the six months ended 30 June 2017, Supplier A manufactured approximately 1.3 million, 1.3 million and 0.5 million units of our products respectively, and Supplier A sold approximately 49,000, 55,000 and 24,000 units of our products directly to its customers during the corresponding periods, respectively.

As confirmed by our Directors, Supplier A provides subcontracting manufacturing services to us regarding certain of our products, and they also have a sales network in certain areas in Europe and the PRC. As such, for certain products designed by us, they have agreed with our Group to manufacture such products and sell directly to their customers in the PRC and a customer in Belgium, the Netherlands and Luxembourg, in return for a rebate fee (which we record as other income as disclosed above) payable to our Group. The amount of rebate payable is determined with reference to the amount of royalty payments we are obligated to pay to the Licensor for sale of the Licensed Products in accordance with the terms under the License Agreement plus a premium. For further details, please refer to the paragraph headed “License Agreement with Alcatel Lucent” in this section of the prospectus.

We shall ensure that the number of units of our products sold by Supplier A as reported to our Group is accurate as Supplier A shall regularly declare to us the number of units and price of our products sold directly to its customers. Supplier A shall also provide us with monthly system generated sales report to ensure that the figures reported are accurate.

Our Directors are of the view that the selling activities of Supplier A would not adversely affect the business of our Group’s other distributors as our products are directly sold through Supplier A to its customers who are located in areas which our Group and our other distributors do not focus on, and the quantity of our products sold by Supplier A under such arrangement is minimal.

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Save as disclosed above, during the Track Record Period, there were no other entities that were both our major supplier and customer (or vice versa) and the amount we either sold to or purchased from them were significant to require disclosure.

### **OUTSOURCING AND PRODUCTION MANAGEMENT**

We believe the design capability is our core and our strategy to outsource the mass production of our products to manufacturing subcontractors, which are one type of our suppliers, enable us to focus our strength on design and development and maximises our return.

We provide our subcontractors with production instruction and design packs and utilise their equipment and human resources to assemble our telecommunications products according to our design and technical specifications.

We usually engage our subcontractors at an early stage to ensure that cost estimate in bidding for projects and proper production procedures could be formulated for our design of the products to increase efficiency and minimise production disruptions. We will also work with the subcontractors to provide solutions to any practical and technical production problems occurred during manufacturing of our products. Our quality control staff will also attend the manufacturing sites of the subcontractors after the manufacturing process to random check on the products to ensure that there are no defects and that the specifications would be able to satisfy our product requirements and customer's specifications. For further details, please refer to the paragraph headed "Quality control" of this section of the prospectus. During the Track Record Period, we have not had any material product defect which led to product recalls.

We also choose our manufacturing subcontractors based on various factors, including their capability to handle and manufacture complex designs and specifications, efficiency in production lead time, reputation of the subcontractor to ensure security on confidential information and know-how, and competitive pricing. We will outsource our manufacturing to reliable subcontractors to ensure quality of our products. We will ensure that our subcontractors would meet our corporate social responsibility standards such as having ISO certificates and sustainability reports before we engage our subcontractors.

During the Track Record Period, we have engaged different manufacturing subcontractors who are all Independent Third Parties. We have entered into framework agreements with these subcontractors. Under these framework agreements, the subcontractors shall be responsible to source the raw materials and components to manufacture our products based on our design specifications.



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The table below summarises in general the main provisions of the framework agreements with the subcontractors:

Term or duration of agreement	The agreements shall in general be for a term of two years and may be renewed automatically for successive period of one year each.
Product	The subcontractor shall produce the product according to the specifications agreed between the parties.
Price and payment	Prices are fixed in the agreement except in case of changes in market conditions, the parties shall negotiate and agree to lower the new pricing that reflects the market.
Orders and deliveries	We shall issue a purchase order to the subcontractor when we elect to purchase the products from the subcontractor. Our Group has no obligation to order any specific or minimum quantity of products from the subcontractor.
Cancellation	Our Group shall have the right to unilaterally terminate the agreement or purchase order without cost or penalty to us save as for products delivered and accepted. In the event that the products does not meet our requirements, the subcontractor shall have an agreed period to make necessary adjustments or else we shall have the right to unilaterally terminate the agreement.
Progress review	The subcontractor grants to us the right to enter the premises of the subcontractor, where the products are being developed and produced, during business hours and upon reasonable notice to audit the product, the design process, the manufacturing process, the supply chain process, employment condition, safety, ethical and environmental standards.
Product development	The product shall be manufactured by the subcontractor according to the specifications set out in the agreement. The subcontractor shall test the product according to the design quality plan.

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Tooling	The subcontractor and our Group may from time to time enter into arrangements whereby we may pay all or part of the cost of tooling for the manufacture of the product.
Quality assurance	The subcontractor shall agree to comply with our quality management standards and policy. We will also perform inspections on samples of the product to verify compliance with our specifications, regulatory, safety, quality and reliability requirements.
Warranty	The subcontractor warrants that the products conform with the specifications, are made of new components and materials and are free from defects.
Trademarks	The subcontractor shall affix the trademark or logo provided by us to the products. The subcontractor shall not sell any products bearing such trademark or logo to any other third party.
Termination	Either party may terminate the agreement or purchase order in the event the other party is in material breach of the agreement and fails to remedy such breach within the agreed period. We may unilaterally terminate the agreement without cause by giving prior written notice to the subcontractor.

### QUALITY CONTROL

We maintain a process control system and quality control scheme with a view to maintain a high standard of our products, as our Directors believe that high quality of products is essential for us to maintain long-term relationship with our customers and to build reputation in the industry.

Our quality control system is based on the ISO 9001 standard. We distribute our products to various countries. We are able to offer products in compliance with various safety and industrial standards, including CE and CCC.

We also adopt sets of quality control standards for our products during the production process. Our quality control staff would attend the manufacturing site of the subcontractors to confirm process adequacy.

Our Directors confirm that, during the Track Record Period, we did not experience any material adverse consequences from any defective products produced by our subcontractors.

**INVENTORY CONTROL**

Our inventory mainly consists of finished products. We had inventories of approximately EUR6.6 million, EUR7.0 million and EUR5.9 million as at 31 December 2015, 31 December 2016, and 30 June 2017 respectively, representing 20.7%, 21.0% and 21.8% of our total assets as at the corresponding dates. Our Group maintains a high level of inventories at all times mainly in Europe so that we could deliver our products to customers within a short period of time, in particular for our major telecom operators and large customer retail chain stores customers in Europe. Given that the time for the subcontractors to manufacture and the delivery time usually takes at least 4 weeks, we usually stock up sufficient inventory in our warehouse to meet such tight schedule as requested by our customers which may provide us with a short notice for delivery of our products.

Our inventory management system enables us to check our inventory on a real time basis. We will also perform regular analysis to manage any obsolete inventory by way of depreciation and disposal. We will also perform physical stock checks on the inventory from time to time to ensure that our inventory is of an optimal level. For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, we made (reversal)/provision for inventories obsolescence of approximately EUR(59,006), EUR27,390 and EUR(127,390).

**INTELLECTUAL PROPERTY RIGHTS**

As at the Latest Practicable Date, we registered three registered designs and 12 trademarks, which we consider to be material to our Group. In addition, we had registered seven domain names which we consider to be material to our Group. Further details of our intellectual property rights are set out in “Further information about our business – intellectual property rights of our Group” in Appendix IV of this prospectus.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other’s intellectual property rights or infringement of our intellectual property rights by others that would have a material adverse effect on our business and we were not involved in any proceedings involving infringement of intellectual property rights.

**License Agreement with Alcatel Lucent**

The following are a summary of the major terms of the License Agreement:

Term:	From 5 January 2010 to 31 December 2027.
Grant of license:	The Licensor shall grant to the Licensee an exclusive right to use the Licensed Marks in all countries of the world, on or in connection with the Licenced Products manufactured or assembled by or for the Licensee.

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Royalty payments:	<p>As of 1 January 2013, the Licensee shall pay to the Licensor royalties of a certain percentage of the net selling price of the Licensed Products sold or otherwise disposed of under the Licensed Marks.</p> <p>In any event, the Licensee shall pay to the Licensor a minimum annual fee.</p>
Quality control:	<p>The Licensee agrees that the Licensed Products marketed in association with the Licensed Marks shall be manufactured or assembled in accordance with designs, specifications and standards approved by the Licensor.</p>
Indemnification and warranties:	<p>The Licensee shall indemnify the Licensor from any and all actions, claims, suits, losses, damages, costs, attorney's fees and other expenses, arising out of the manufacture, assembly, advertising, promotion, offering for sale, sale or distribution of the Licensed Products by the Licensee, except to the extent that these are based on the use of the Licensed Marks in compliance with the terms and conditions of the License Agreement.</p> <p>The Licensor warrants to the Licensee that, among others, it or the holders who license such rights to the Licensor to sublicense the Licensed Marks, are the sole owners of the entire rights in and to such applications and registrations of the Licensed Marks.</p>
Use and protection of the Licensed Marks:	<p>The Licensee is authorised to use the Licensed Marks in connection with the Licensed Products, including use in its general publicity, advertising, letterheads, signs, and other forms of advertising with the Licensed Products, as far as such use is not harmful to the Licensor's and/or the Licensed Marks' image, fame and reputation.</p>

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Ownership and registration: The Licensee shall not contest the ownership and the validity of the Licensed Marks and agrees that every use of the Licensed Marks made by it in any country of the world on or in connection with the Licensed Products shall inure to the benefit of the Licensor.

Infringement by third parties: The Licensee agrees to promptly notify the Licensor, as soon as it becomes aware of it, of any adverse use of the marks or terms identical with or confusingly similar to the Licensed Marks in, or which affects, the field of Licensed Products and agrees to take no action of any kind with respect thereto except with the prior express written authorisation of the Licensor.

Termination: The License Agreement and the rights granted pursuant to the License Agreement may be terminated by the Licensee at any time by the Licensee's prior written notice to the Licensor, whereupon the Licensee shall immediately cease and discontinue the use of the Licensed Mark.

The Licensor may unilaterally terminate the License Agreement by giving notice to the Licensee to that effect if the Licensee is subject to a change of control.

A change of control generally means (a) any change in beneficial owner of the Licensee of which the beneficial owner will own more than 50% interest of the Licensee; (b) the existing voting interest of the Licensee immediately prior to any merger or consolidation becomes less than 50% after such merger or consolidation; (c) the sale or disposition of all or substantially all of the Licensee's assets; (d) a change in the majority composition of the directors of the Licensee; (e) dissolution or liquidation of the Licensee; and (f) any transactions which results in the above.

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The License Agreement will also terminate in the following events:

1. Expropriation or seizure of any part of the interest of the Licensee or all of the material properties of the Licensee;
2. Insolvency or bankruptcy, or liquidation of the Licensee;
3. Assignment or transfer of the rights of the Licensee under the License Agreement without the Licensor's consent; or
4. Material breach of any provisions of the License Agreement by the Licensee.

Transfer and assignment:

The Licensee is not authorised to grant sub-license of the Licensed Marks but it may be extended by the Licensee to any of its subsidiary, subject to such Licensee's subsidiary agreeing to be bound by all relevant terms and conditions of the License Agreement as long as the subsidiary remains as the Licensee's subsidiary.

The Licensee is authorised to grant to its distributors and agents a non-exclusive and non-transferable authorisation to use, mention and show the Licensed Marks in their own material in relation to the sale and promotion, advertising and marketing of the Licensed Products.

The License Agreement may be transferred or assigned by the Licensor without the consent of the Licensee and will inure to the benefit of the Licensor's successors or assigns.

### **Acquisition of the Swissvoice brand**

On 24 November 2016, we entered into an asset purchase agreement in connection with the acquisition of Swissvoice brand and its assets from an Independent Third Party (the “Vendor”). The consideration of approximately EUR1.3 million was determined with reference to comparable licensing fee paid to other telecommunication brands and the then market value of each of the relevant assets acquired. As part of the arrangement of the acquisition, we have agreed to grant back the use of the Swissvoice brand and/or its industrial design to the Vendor for certain products to be sold by the Vendor in Switzerland and for a telecom operator in Hong Kong, in consideration of a licensing fee payable by the Vendor to us. We have also agreed to grant the Vendor the right to use certain moulds and toolings in order for the Vendor to manufacture such relevant products, in consideration of an additional fee. We have entered into the licensing agreement dated 17 February 2017 and the moulds and tooling agreement dated 24 November 2016 with the Vendor regarding the above arrangement. The major terms of the agreements are summarised as follows:

Term:	From 24 November 2016 to 23 November 2019.
Grant of license:	<p>We shall grant to the Vendor a non-exclusive license to use the Swissvoice trademark and industrial design regarding certain products to be sold solely in Switzerland and also use the industrial design in relation to certain products to be sold solely to a local telecommunications company in Hong Kong.</p> <p>We shall grant to the Vendor a non-exclusive right to use the moulds and toolings in relation to certain products to be sold solely in Switzerland and to be sold solely to a local telecommunications company in Hong Kong.</p>
Conditions of use:	The Vendor acknowledges that the intellectual property rights in relation to the products are vested in and owned by us.
Quality control:	The Vendor agrees that the products shall be at all times designed and manufactured in accordance with the designs, specifications and safety standards which comply with all applicable laws and regulations.

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Consideration: The Vendor shall pay to us for the rights to use the Swissvoice trademark a royalty of a certain percentage of the net selling price of the products sold or otherwise disposed of by the Vendor, with a minimum royalty fee for each year during the licensed period.

In consideration of the grant of use of the moulds and tooling, the Vendor shall pay to us a fee per product unit sold or otherwise disposed of by the Vendor in Switzerland and in Hong Kong for the product sold to the telecommunications company.

Termination: The licensing agreement and the mould and tooling agreement may be terminated by, among others, written consent of the parties, or by us in the event of a breach of the agreement or change of control of the Vendor.

Indemnity: The Vendor agrees to defend and indemnify us against any actions, claims or suits arising out of the sale of the products.

We expect to receive a minimum of CHF10,000 of licensing fee from the Vendor in each of 2018 and 2019.

We believe that the sales of our telecommunications products under the Swissvoice brand and Licensed Marks enables us to enrich our product portfolio. Our Directors believe that there is no significant overlap between the two because the products sold under the Swissvoice brand and the Licensed Products as they are targeting at different market segments, with products under the Swissvoice brand targeting specialised markets such as the elderly while the Licensed Products targeting a more general market. Also, our Group plans to sell different products under each brand depending on whether such brand is more recognized in the relevant areas. Finally, as the categories of telecommunications products to be sold under the Licensed Products only covers a certain range of products under the License Agreement, we shall have more flexibility to develop other types of telecommunications products and smart home products in the future under the Swissvoice brand.

According to the annual report of Alcatel Lucent for the year ended 31 December 2015, it is a global telecommunications equipment company in which it principally engaged in two major business segments: (i) core networking which includes IP routing, IP transport and IP platforms; and (ii) access which includes wireless access, fixed networks, managed services and licensing. Given that Alcatel Lucent and our Group has different business focus, our Directors believe that there will be no competition between Alcatel Lucent and our Group. Furthermore, from time to time, Alcatel Lucent and our Group will hold meetings to discuss



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the future roadmaps of their products. Our Group is licensed to design and develop the Licensed Products under the Licensed Marks until 2027 as contemplated in the License Agreement. Also, as confirmed by our Directors, the possibilities of the extension of the scope of Licensed Products is under negotiation between our Group and Alcatel Lucent. Our Directors are of the view that based on the above, there is no overlap of the business directions between Alcatel Lucent and our Group and our business relationship remain stable and amicable. Our Directors believe that neither our current focus on selling home and office telephones nor our expansion plan to venture into sales of new elderly telecommunications products and smart home products would overlap with the major business segments of Alcatel Lucent as disclosed above.

As disclosed above, there shall not be any significant product overlap between products under the Swissvoice brand and the Licensed Products going forward as they are focused on different market segments and customer groups. The Swissvoice brand shall be used to develop products including elderly products and smart home products for the elderly and visually and hearing impaired, while the Licensed Products will continue to focus on home and office telephones for the general market as contemplated under the License Agreement. As such, our Directors believe that there shall not be any competition between products to be sold under the Swissvoice brand and the Licensed Products. Our Directors will ensure that no overlap of same types of products under both brands will be sold in the same territory. Furthermore, our Directors believe that the sales of our products under the Swissvoice brand will not affect our relationship with Alcatel Lucent as the products to be sold under both brands shall generally be different, and as disclosed above we will ensure that there will not be any same products to be sold under both brands in the same territory. Furthermore, as confirmed by our Directors, Alcatel Lucent is aware that we have acquired the Swissvoice brand and is also developing other telecommunications products under the Swissvoice brand, which is not prohibited under the License Agreement. We will have regular meetings with Alcatel Lucent to discuss on the business directions regarding the sales of the Licensed Products. Our Directors believe there is mutual reliance between Alcatel Lucent and our Group as we rely on their Alcatel brand to sell our Licensed Products while Alcatel Lucent may leverage on our connections with major retail chain customers and telecom operators and our technical expertise and experience to develop and sell their products. Based on the above factors, our Directors believe that our sales of products under the Swissvoice brand will not affect our relationship with Alcatel Lucent.

### LICENCES AND PERMITS

Based on the advice of our PRC Legal Adviser, Swiss Legal Adviser, French Legal Adviser, Spanish Legal Adviser, Mexican Legal Adviser and Hong Kong Legal Counsel, we have obtained all material requisite licences, approvals and permits from the relevant governmental authorities for our business operations in the PRC, Switzerland, France, Spain, Mexico and Hong Kong respectively.

### COMPETITION

Our Directors believe that the home and business phone market in Europe is fairly concentrated and dominated by a few large brands. According to the F&S Report, it is estimated that there are more than 200 active market players in the European home and business phone market. In terms of sales value, the F&S Report indicates that the top five home telephone brands in Europe accounted for an aggregated market share of approximately 61.1% while the top five business phone brands in Europe accounted for approximately 52.0% in 2016. We ranked third in the home telephone segment in Europe with a market share of approximately 9.1% but only have an estimated market share of 0.3% in the business phone segment in 2016. Overall, Alcatel brand has a market share of approximately 2.0% in the home and business market in Europe in 2016.

According to the F&S Report, the barriers to enter into the telecommunication device market in Europe include customer and telecommunications operators' preference for reliable and established brands, the ability to produce communication devices that comply with various regional and international standards and regulations and good business relationships with different stakeholders including manufacturers and customers. Our Directors believe that we have competitive advantages over our competitors based on our ownership of renowned brands with strong presence and proven track record, our wide sales and distribution channels across key end markets in Europe and Latin America, our advanced technological expertise in the development of home telephone and business phone and our effective resources management to minimise operational costs and maximise our revenue.

According to the F&S Report, our competitive advantages include the following:

#### **Renowned licensed brands**

Our Group has been licensed to use the Licensed Marks for development and sales of fixed line telephones. Taking advantage of the strong presence and proven track record of Licensed Marks in global telecommunications devices market, our Group has also demonstrated an extended scale of operation across different major markets in the world by supplying telephones to various regions. During the Track Record Period, the license fee paid to the Licensor by our Group were approximately EUR0.4 million, EUR0.4 million and EUR0.2 million, respectively. In addition, our Group intends to expand its business through provision of products and solutions under the Swissvoice brand.

#### **Extensive sales and distribution channels**

Our Group has been supplying home and business phones of Licensed Marks to a variety of retailers, telecom operators, telecommunications wholesalers and importers in different regions and countries in the world, particularly in Europe. Furthermore, our Group has an extended operation scale with staff and sales agents stationed across key end markets including Europe, Latin America, which enables a close interaction with potential clients as well as achieve a better understanding of demand and requirement in different markets. In future, our Group plans to increase sales and marketing force especially in France and other parts of Europe and further broaden customer base in global markets so as to strengthen position in established markets.

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### Advanced technology and new product development

Taking advantage of the advanced technologies, our Group intends to develop smart home solutions with the use of Digital Enhanced Cordless Telecommunications (“DECT”), Ultra Low Energy (“ULE”) which covers new spectrum from other technologies which share a similar band. Furthermore, ULE has a higher range than existing technologies such as Z-wave, ZigBee, Wifi and Bluetooth. Hence, the use of such kind of technologies supports the expansion of our Group’s smart home products in the market. On the other hand, with the plan to increase resources in product development and launch of new lines of products strategically planned to be developed under the Swissvoice brand as mentioned above, our Group aims to expand the customer base to the medical and hospitality sectors, to customers such as hospitals and hotels which may be interested in or may have needs for ambient assisted living (“AAL”) products and other IP products.

### EMPLOYEES

#### Number of staff

As at the Latest Practicable Date, we had a total staff size of 50. The following table shows a breakdown of our staff by function and by geographical location as at the Latest Practicable Date:

#### *By Geographical Location*

	Number of staff				Total
	Hong Kong	France	Spain	Mexico	
Management	4	1	0	1	6
Product management and design	7	1	0	0	8
Sales and marketing	4	13	3	0	20
Logistics and Sales Administration	4	2	0	0	6
Quality/After-sales	1	1	0	0	2
Finance/Human resources/Administration	4	4	0	0	8
<b>TOTAL</b>	<b>24</b>	<b>22</b>	<b>3</b>	<b>1</b>	<b>50</b>

#### Staff relationships

We recognise the importance of our relationship with employees. Our Directors confirm that, save as disclosed in the paragraph headed “Legal Proceedings” in this section of the prospectus, we have not experienced any material problems with our employees or disruption of operations due to labour dispute during the Track Record Period. We believe that we maintain a healthy relationship with our employees due to our commitment to build a good working environment for our employees and our ability to provide a good career prospect and other benefits to our employees, that are subject to annual review and provisions.

#### Training and recruitment

We enter into standard employment contracts with our employees. We have adopted standard manuals which sets out staff benefits and work ethics for our employees. We provide regular training to our staff regarding technical know-how and safety.

**Staff benefits*****Hong Kong***

We have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All requisite contributions had been paid by our Group in accordance with the aforesaid law as at the Latest Practicable Date. Our Group has taken out medical and health insurance for our staff providing them with hospital, surgical, dental and outpatient benefits, in compliance with section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

***France***

In accordance with the article 34 of the law n°2015-1702 on 21 December 2015 applicable since 1 January 2016, our Group has subscribed a complementary health insurance covering all its employees providing them with hospital, surgical, dental and outpatient benefits.

The insurance policy has been subscribed with Gresham (formerly Legal and General), which is an authorised insurance provider in France and all requisite contributions had been paid by our Group in accordance with the aforesaid law as at the Latest Practicable Date.

This insurance policy complies with the legal obligation of our Group to propose a complementary collective health insurance to all of its employees, with a minimum guarantee and a financial participation of the company of more than 50%.

Furthermore, each employee was given the mandatory periodic medical examinations by the work health doctor.

***Spain***

Spain's public healthcare system guarantees universal coverage and no upfront expenditure from patients apart from paying a proportion of prescription charges is required. Nevertheless, our Group has subscribed a complementary health insurance covering all its employees that are not personally covered, providing them with some private health care hospital, surgical, dental and outpatient benefits.

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### CERTIFICATIONS AND AWARDS

During the Track Record Period and up to the Latest Practicable Date, the following table shows the major awards and certificates received by us.

<b>Award/certification</b>	<b>Issuing organisation</b>	<b>Date of grant</b>	<b>Expiry date</b>	<b>Holder</b>
Top Performer in our corporate social responsibility practices within the manufacturing and assembling of ICT equipment sector on the ICT Leadership Index	Global e-Sustainability Initiative for SME companies	June 2017	June 2018	ATL Holdings
Best scored company for the sustainability leadership regional award in the AMEA area	EcoVadis	May 2017	May 2018	ATL Holdings
Gold Recognition Level based on EcoVadis CSR Rating	EcoVadis	September 2017	September 2018	ATL Holdings

### OCCUPATIONAL HEALTH AND SAFETY

As we operate in Europe, Latin America and Asia markets, we are subject to the relevant health and safety regulations in these areas. Our Group reviews our compliance with relevant occupational health and safety regulations regularly to ensure that our facilities are equipped to fulfill compliance with all applicable laws and regulations and to ensure the safety of our employees.

We have established standard occupational health and safety procedures such as emergency responses and coordinating with other agencies to ensure our employee safety in emergency situations. Our Directors confirm that, during the Track Record Period, we did not experience any accidents or claims for personal or property damage that, individually or in aggregate, have had a material effect on our financial condition and results of operations. Our Directors confirm that we have complied with all applicable occupational health and safety laws and regulations in the relevant jurisdictions of our operations.

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### ENVIRONMENTAL PROTECTION

As we have engaged third party manufacturing subcontractors to take up production of our products, our daily operations do not involve manufacturing, and hence our business operations generally do not result in production of any harmful pollutants. However, we may still be subject to the relevant environmental regulations in jurisdictions which we operate. For each of the two years ended 31 December 2016 and the six months ended 30 June 2017, we incurred approximately EUR20,000, EUR20,000 and EUR10,000 in relation to our cost of compliance with relevant environmental regulations. Going forward, we expect to incur approximately EUR20,000 for cost of compliance with relevant environmental regulation annually.

Our Group reviews our compliance with relevant environmental regulations regularly to ensure that our facilities are equipped to fulfill compliance with all applicable laws and regulations. We also review our quality control system and integrated management system on an annual basis to ensure they comply with the ISO 9001, ISO 14001 and OHSAS 18001 standards.

Our Directors confirm that, during the Track Record Period, there was no material breach of any applicable environmental laws and regulations. Our Directors confirm that we have complied with all applicable environmental laws and regulations in the relevant jurisdictions of our operations.

### INSURANCE

For our operations, we generally maintain insurance including property insurance, small office insurance, commercial general liability insurance, public and products liability insurance and credit insurance.

We consider our insurance policies to be adequate and in line with industry norms in the jurisdictions which we operate. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any material third party liability claim relating to our operations.

### PROPERTY

Set out below is a summary of our property interests in Hong Kong, the PRC, Mexico, Spain and France. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not own any properties.

<b>Properties</b>	<b>Use of properties</b>	<b>Monthly rental</b>	<b>Tenure</b>
Unit 2203 to 2210, 22 Floor, Delta House, No. 3 Yiu On Street, Shatin, New Territories, Hong Kong	Office	HK\$112,875	17 June 2016 to 16 June 2018

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Properties	Use of properties	Monthly rental	Tenure
147, Avenue Paul Doumer (92500), Rueil-Malmaison, France	Office	EUR5,530	1 December 2015 to 30 November 2024
Calle Caléndula, 93 Miniparc III-Edificio E, 28109 Alcobendas, Spain	Office	EUR1,684	1 April 2010 and renewed on an annual basis
Flat 1060, 10 Floor, East Block, Xinghua Building, 2018 Shennan Zhong Road, Futian District, Shenzhen, PRC	Office	RMB500	25 June 2017 to 24 June 2018
Montecito 38 Piso, 15 Ofna 31 WTC CD Mexico Napoles Mexico, Benito Juarez, Mexico	Office	MXN25,630	Indefinite term. Two months prior notice for termination by either party to the lease

Pursuant to Rules 8.01A and 8.01B of the GEM Listing Rules, our Directors confirm that as at the Latest Practicable Date, none of the properties owned or leased by us has a carrying amount of 15% or more of our consolidated total assets, therefore we are not required by Chapter 8 of the GEM Listing Rules to value or include in this prospectus any valuation report of our property interests. Accordingly, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with the Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1) of the Companies Ordinance, which requires a valuation report with respect to all of our Group's interest in lands or buildings.

### LEGAL PROCEEDINGS

From time to time and during our ordinary course of business, our Group has been, and may in the future be occasionally, involved in legal proceedings or disputes incidental to the conduct of our business.

As at the Latest Practicable Date, we were involved in a contractual dispute (the “**Legal Dispute**”) during our ordinary course of business with a supplier of computer equipment in France (the “**Claimant**”). For background information, Atlinks Group had entered into a computer rental agreement with the Claimant on 18 March 2010 (the “**Rental Agreement**”).

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The Rental Agreement provides that the Claimant shall provide Atlinks Group with computer equipment for a monthly rent up to the amount of EUR4,735 for a term of 48 months from 1 July 2010 to 30 June 2014.

On 12 July 2010, the Claimant was replaced by another party as the lessor (“**Lessor**”) in the Rental Agreement. Due to our internal restructuring, Atlinks Group was dissolved on 25 September 2013. However, no amendment was made to the Rental Agreement but ATL Europe continued to pay the rent by direct debit to the Lessor. ATL Europe had then ceased the direct debit authorisation since July 2014 as the term had already expired.

On 10 November 2016, the Claimant brought an action against ATL Europe for the outstanding amount payable by ATL Europe under the Rental Agreement up to EUR136,368 claiming that the Rental Agreement would be renewed automatically after July 2014 and therefore ATL Europe is responsible to pay the outstanding rental. On 13 February 2017, our Group filed a suit for financial fraud against the Claimant and the Lessor for dishonest agreement to cause economic loss to our Group.

As at the Latest Practicable Date, the Legal Dispute is still pending to be heard before the courts of France. As advised by our French Legal Adviser, the maximum amount to be taken into consideration would be up to EUR136,368.

As at the Latest Practicable Date, we were also involved in an employee layoff dispute case. For background information, due to certain corporate restructuring of ATL Europe in 2010, certain employees were transferred from their former employer (“**Former Employer**”) to ATL Europe. Save as the transfer of the employees from the Former Employer due to the corporate restructuring, our Group has no other relationship with the Former Employer. In 2010, seven employees were laid off by ATL Europe after such corporate restructuring and they claimed against ATL Europe and the Former Employer for complementary compensations, of which the courts of France ordered the Former Employer and ATL Europe to bear the amount of complementary compensations.

As at the Latest Practicable Date, all the complementary compensations had been paid to the employees. However, the Former Employer is requesting and negotiating with ATL Europe for ATL Europe to bear a portion of an amount of EUR151,835 solely paid by the Former Employer to the employees. As advised by our French Legal Adviser, as the amount of complementary compensations to be borne by ATL Europe and the Former Employer was not specifically regimented by the courts of France, the Former Employer and ATL Europe would need to determine the amount to be borne by each party. However, the maximum amount of reimbursement by ATL Europe to the Former Employer should be up to EUR151,835.

Our Director had made provision in the amount of EUR288,203 in relation to the two cases above.

Save as disclosed above and based on the information available to us, during the Track Record Period and up to the Latest Practicable Date, we were not a party to any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance.



### REGULATORY COMPLIANCE

During the Track Record Period, we had complied with applicable laws and regulations in all material respects.

#### Ongoing compliance

It is the responsibility of our Board to ensure that we maintain an effective internal control system to safeguard our Shareholders' investment and our assets at all times. In order to prevent future non-compliance and improve our corporate governance, we have adopted or intend to adopt the following measures:

1. We are currently in the process of developing various internal approval policies and procedures as to ensure our compliance with the GEM Listing Rules and the relevant laws and regulations;
2. Ms. Ho, our chief financial officer, will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
3. We will engage and will continue to appoint external professional advisers, including auditors, legal advisers and other advisers to render professional advice as to compliance with the statutory requirements applicable to our Group from time to time after Listing;
4. In addition, to further strengthen the knowledge of our Directors as to the relevant laws and regulations and GEM Listing Rules, our Directors have attended a training provided by our Hong Kong legal advisers in August 2017;
5. After Listing, we also plan to engage legal advisers to provide training to our Directors on the latest developments of various compliance matters applicable to our Group including the GEM Listing Rules and relevant laws and regulations, from time to time, as and when necessary;
6. We have appointed Lego Corporate Finance Limited as our compliance adviser upon Listing to advise our Directors and management team on matters relating to the GEM Listing Rules; and
7. We have set up a risk management committee to monitor exposure to international sanction legal risks and oversee the internal control system.

#### Foreign exchange risk control

Our revenue was mainly denominated in EUR. However, the settlement of substantial portion of our purchases is in USD. We are therefore exposed to foreign exchange risk primarily with respect to USD.

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We have adopted 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. Our foreign exchange risk management procedures involve the following:

1. The only instruments authorised are forward contracts or hedging by purchasing options or spot buy. We will consider which hedging instrument to use based on constraints related to bank credit lines.
2. Hedging transactions shall be carried out by the finance manager of ATL Europe based on a preapproved budget rate. Our finance manager in ATL Europe receives training in forwards and options exchange contracts management from time to time and has been responsible for carrying out our Group's hedging transactions since 2013.
3. Our objective is to hedge payments in USD on a rolling basis by a combination of forward contracts, options or spot buy.
4. We will regularly review our hedging transactions every quarter of the financial year. Our chief financial officer, Ms. Ho would preapprove each hedging transaction, which would be subject to the final approval of our chief executive officer, Mr. Goujard.

We generally perform hedging transactions based on a monthly rolling forecast of the USD and our finance manager will be responsible for preparing the relevant monthly forecast report to determine the size and timing of each hedging transactions. As each hedging transaction shall be approved by our chief financial officer, Ms. Ho and our chief executive officer, Mr. Goujard based on the report prepared by the finance manager, we believe we can effectively monitor and control such hedging transactions through such multi-level approval process. We believe that by monitoring the forecast of the exchange rate of the USD on a regular basis every month and considering the amount of purchases to be settled in USD, our finance manager could effectively evaluate our hedging coverage and monitor and control the foreign exchange risk.

Mr. Goujard possessed extensive experience in the telecommunications products industry and has been responsible for our Group's major decision making and overall strategic planning, including foreign exchange risk management. Our chief financial officer, Ms. Ho, is a qualified professional accountant. Our Directors believe that by adopting the above procedures, our exposure to foreign exchange risk can be properly managed to an acceptable level.

At present, we are mainly exposed to foreign exchange risk in relation to USD. Our Directors will regularly monitor our foreign exchange risk and should they find our exposure to foreign exchange risk in respect of other currencies increases, we will adopt such risk management measures with respect to other currencies to ensure that our exposure is kept to an acceptable level.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately following completion of the Share Offer and the Capitalisation Issue, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Eiffel Global will hold 75% of the issued share capital of our Company. Eiffel Global is owned as to 75% by TOHL, and TOHL is wholly-owned by Ms. Chu. Each of Eiffel Global and TOHL was an investment holding company as at the Latest Practicable Date. As Eiffel Global, TOHL and Ms. Chu, directly or indirectly, are entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Eiffel Global, TOHL and Ms. Chu is regarded as our Controlling Shareholder under the GEM Listing Rules. Eiffel Global is also owned as to 11.83%, 9.67%, and 3.5% by AIL, Mr. Duc and Ms. Ho, respectively. AIL is wholly-owned by Mr. Goujard. Although AIL, Mr. Duc and Ms. Ho do not hold more than 50% interest in Eiffel Global, each of them along with TOHL have decided to restrict their ability to exercise direct control over our Company by holding their interests through Eiffel Global, as such, each of TOHL, AIL, Mr. Duc and Ms. Ho will be presumed as a group of controlling shareholders of our Company under the GEM Listing Rules. Therefore, AIL, Mr. Goujard, Mr. Duc, TOHL, Ms. Chu and Ms. Ho will all be regarded as our Controlling Shareholders under the GEM Listing Rules.

Each of our Controlling Shareholders confirms that he/she/it do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

#### (i) Financial independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

During the Track Record Period, we financed our operations principally through a combination of (i) bank borrowings; (ii) factoring loans; and (iii) loans from Shareholders. As at 31 December 2015, 31 December 2016 and 30 June 2017, our bank borrowings repayable within one year or on demand amounted to approximately EUR6.8 million, EUR7.7 million, and EUR6.0 million, respectively.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Furthermore, as at 30 June 2017, amounts of approximately EUR753,000, EUR119,000, EUR78,000, and EUR35,000 were provided by TOHL, AIL, Mr. Duc and Ms. Ho to our Group, respectively, as the loans from Shareholders. The said loans from Shareholders are unsecured, interest-bearing and repayable on demand. The balances of such loans will be settled on or around 5 January 2018.

### **(ii) Operational independence**

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate its businesses independently from our Controlling Shareholders.

During the Track Record Period, our Group entered into a software development and application agreement with KooKum Services, which, to the best of our Directors' knowledge, is a company organized and existing under the laws of France controlled by the son of Mr. Goujard, our chief executive officer, pursuant to which KooKum Services shall provide services to our Group for development of software. During the Track Record Period, our Group had paid to KooKum Services approximately EUR17,100, EUR16,700 and EUR5,580 for each of the two years ended 31 December 2016 and the six months ended 30 June 2017. The arrangement with KooKum Services has been terminated on 18 August 2017.

Our Group has established its own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. Our Directors are of the view there is no operational dependence on our Controlling Shareholders.

### **(iii) Management independence**

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of the Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

As at the Latest Practicable Date, no executive Director has any business which competes or is likely to compete, either directly or indirectly, with our business.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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We consider that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholders because:

- each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist;
- the independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum present at the particular Board meeting;
- connected transactions between our Group and our Controlling Shareholders or our respective associates are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- in addition, the senior management of our Group is independent from our Controlling Shareholders.

### **RULE 11.04 OF THE GEM LISTING RULES**

Our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

### **NON-COMPETITION UNDERTAKINGS**

In order to avoid any possible future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders (each a "Covenantor" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 21 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has, among other matters, irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remain effective, he/she/it shall not, and shall procure that his/her/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group from time to time at present or after the Listing.

Each of the Covenantors further undertakes that if he/she/it or his/her/its associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within six months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/she/it together with his/her/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company, or ceases to be presumed by the Stock Exchange as a Controlling Shareholder; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/her/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (iii) our Company has appointed Lego Corporate Finance Limited as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors, Senior Management and Employees – Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (v) the independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-Competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition. Findings of such review will be disclosed in our Company's annual report after Listing.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR LISTING

Our Company intends to raise funds by way of Share Offer in order to facilitate the implementation of our business strategies as set out in “Business – Business strategies”. The net proceeds from the Share Offer will provide financial resources to our Group to achieve such business strategies which finance us to develop new products, to expand our geographical coverage and to increase the brand awareness of Licensed Marks and Swissvoice brands through marketing activities. In addition, although we had bank balances and cash of approximately EUR3.4 million as at 30 November 2017 and our Group will settle loans from Shareholders of approximately EUR1.0 million on or around 5 January 2018, our Directors recognise the need for further capital to expand our business. Our unutilised banking facilities was approximately EUR7.1 million as at 31 October 2017, which was mainly factoring loans and short-term loans, which we consider are used for maintaining sufficient working capital for our Group’s existing operations. After settling the loans from Shareholders of approximately EUR1.0 million before the Listing, our cash and cash equivalents will be reduced to approximately EUR2.4 million. In addition, as factoring loans was for short-term financing purpose, such loans could not be used to implement our future plans. Our Directors believe that the cash amount of EUR3.4 million is not sufficient for our immediate implementation of our business strategies and would place undue financial burden on our Group if we are to use all our cash on hand for business growth purposes. The net proceeds from the Share Offer are necessary for the implementation of our future plans which requires considerable additional financial resources. According to the implementation plans as disclosed in this section, the total expenditure for the implementation of our future plans is estimated to be approximately HK\$45.4 million during the period from the Latest Practicable Date and up to 31 December 2019, which will be mostly financed by the net proceeds from the Share Offer.

For our major telecom operators and large customer retail chain stores customers in Europe, the orders generally require us to provide the requested stock within 2 days to 60 days. Given that the time for the subcontractors to manufacture and the delivery time usually takes at least 4 weeks, we usually stock up sufficient inventory in our warehouse to meet such schedule. Furthermore, we consider that the Share Offer will enable our Group to maintain a lower level of gearing ratio, which benefits our Group and Shareholders as a whole, and enhance our capital structure. Our Directors consider that the use of equity financing would be a better alternative than debt financing, as this could avoid the interest rate risks associated with debt financing, which exposes our Group to increasing financing cost in the future.

Our Directors further believe that the Listing would:

- provide a platform for our Group to access the capital markets for future secondary fund raising through the issuance of shares and for debt securities and offer an additional financing channel to the Company in addition to interest-bearing bank loans or facility loans. Access to capital markets can also provide funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier and cheaper with a listed entity as compared to a private entity;



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## FUTURE PLANS AND USE OF PROCEEDS

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- enhance market reputation and brand awareness of our Group. According to the F&S Report, the Alcatel brand ranked third in terms of revenue for the year ended 31 December 2016 in the home telephone market segment in Europe. Our Directors believe that having a listing status can enhance our corporate image and credibility with the potential business partners, and help our Group further broaden customer base in global markets. This will strengthen our competitiveness and help expand our market share in the industry;
- broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing. Our Controlling Shareholders are not selling any Shares as part of the Share Offer, and currently have no intention to dispose of any Shares that he/it holds subsequent to the Share Offer. In addition, to demonstrate their commitment to the long-term development of our Group, each of our Controlling Shareholders has voluntarily undertaken to the Sole Sponsor, and the Underwriters that for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A of GEM Listing Rules expires, he/it shall remain as our Controlling Shareholder. For details, please see “Underwriting – Lock-up undertakings”; and
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that correlates more directly to their performance in our Group’s business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders. Our Directors believe that this would also improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise.

Having considered the benefits above, although the amount of the expenses for the Listing represents a significant proportion of the gross proceeds from the Share Offer, our Directors are of the view that such proportion is justifiable, and given the benefits as stated above, our Directors believe that the Listing is beneficial to us in the long run.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **BUSINESS OBJECTIVES AND STRATEGIES**

Our primary objectives are to strengthen our position in the telecommunications products industry and further expand our business operations with a view to creating long term Shareholders' value. We intend to achieve our objectives by implementing the following future plans and business strategies.

### **FUTURE PLANS**

Please refer to the section headed "Business – Business strategies" in this prospectus for a detailed description of our future plans and business strategies.

### **IMPLEMENTATION PLANS**

We will endeavor to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and key assumptions of the business plans" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

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## FUTURE PLANS AND USE OF PROCEEDS

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### From the Latest Practicable Date to 30 June 2018

Business strategies	Use of proceeds (HK\$'000)	Implementation plans
Developing our office telephone products	975	to design and develop software through partnerships with design houses and/or manufacturing subcontractors for product interoperability, in particular the session initiation protocol (“SIP”) software on VoIP telephones; and obtain certification of new models of office telephones
	675	to design and develop software through partnerships with design houses and/or manufacturing subcontractors for easy access on technical support of our office telephones, including systems for receiving feedbacks on software problems from our customers
Developing our elderly telecommunications products	2,133	to design and develop software through partnerships with design houses and/or manufacturing subcontractors by upgrading our existing user interface and server system; and obtain certification of new models of elderly telecommunications products
	4,561	to place purchase orders for new moulds and toolings for new models of elderly telecommunications products and related accessories
Strengthening and enhancing our sales channels	450	to engage market research consultants to conduct market research on office telephones and elderly telecommunications products in Europe
	570	to increase our marketing efforts by, among others, designing, producing and distributing our product catalogues to telecom operators and consumer retail chain stores
	500	to organise press event and participate various trade fairs and exhibitions in Europe, Asia and/or other countries
Expanding our staff team	800	to recruit two experienced staff for our finance department to support our accounting and finance operation

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## FUTURE PLANS AND USE OF PROCEEDS

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**From 1 July 2018 to 31 December 2018**

<b>Business strategies</b>	<b>Use of proceeds</b> <i>(HK\$'000)</i>	<b>Implementation plans</b>
Developing our office telephone products	975	to design and develop software through partnerships with design houses and/or manufacturing subcontractors for product interoperability, in particular the SIP software on VoIP telephones; and obtain certification of new models of office telephones
	3,000	to place purchase orders for new moulds and toolings for new models of office telephone products
Strengthening and enhancing our sales channels	450	to engage market research consultants to conduct market research on office telephones and elderly telecommunications products in Europe
	1,520	to increase our marketing efforts by, among others, designing, producing and distributing our product catalogues to telecommunications operators and consumer retail chain stores, and placing of advertisements on the Internet
	1,080	to organise press events and participate various trade fairs and exhibitions in Europe, Asia and/or other countries
Expanding our staff team	800	to maintain the cost of additional staff

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## FUTURE PLANS AND USE OF PROCEEDS

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**From 1 January 2019 to 30 June 2019**

<b>Business strategies</b>	<b>Use of proceeds</b> <i>(HK\$'000)</i>	<b>Implementation plans</b>
Developing our elderly telecommunications products	3,721	to place purchase orders for new moulds and toolings for new models of elderly telecommunications products and related accessories
Developing our other products including IP cameras and smart home products	630	to place purchase orders for new moulds and toolings for new models of IP cameras and smart home products
Strengthening and enhancing our sales channels	450	to engage market research consultants to conduct market research on office telephones and elderly telecommunications products in Europe
	900	to organise press events and participate various trade fairs and exhibitions in Europe, Asia and/or other countries
Expanding our geographical coverage	2,900	to set up sales representative offices in Germany and UK and to recruit three experienced sales and marketing staff in each country to further develop European market
Expanding our staff team	5,000	(i) to recruit four software engineers to expand our research team on software development and application solutions; (ii) to recruit six experienced sales and marketing staff to further develop Asian market; and (iii) to maintain the cost of additional staff

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## FUTURE PLANS AND USE OF PROCEEDS

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**From 1 July 2019 to 31 December 2019**

<b>Business strategies</b>	<b>Use of proceed (HK\$'000)</b>	<b>Implementation plans</b>
Developing our other products including IP cameras and smart home products	2,000	to commence upgrading or replacing our existing server system for our smart home products
Strengthening and enhancing our sales channels	1,300	to participate various trade fairs and exhibitions in Europe, Asia and/or other countries
Expanding our geographical coverage	2,900	to maintain the cost of sales representative offices in Germany and UK
Expanding our staff team	5,000	to maintain the cost of additional staff

### **Use of proceeds for development of elderly telecommunications products and hiring of staff for software development**

We intend to allocate approximately 23.0% and 7.9% of our proceeds for development of elderly telecommunications products (“**Elderly Product Development**”) and hiring of additional staff for software development (“**Software Development**”) respectively.

#### **Elderly Product Development**

Although we allocate a substantial portion of our proceeds to Elderly Product Development, we do not consider a significant change of our Group’s business focus as our Group had been selling elderly telecommunications products during the Track Record Period. By allocating part of our use of proceeds in this category, we target to develop a variety of elderly telecommunications products, which will complement our existing elderly telecommunications products including corded and cordless fixed line telephones and related accessories. We believe that by being able to offer a variety of elderly telecommunications products to customers, our Group will be able to increase our profitability by increasing sales to our customers who may demand a wider range of elderly telecommunications products from us. As we have been selling certain elderly telecommunications products (mainly home telephones) during the Track Record Period, we believe that Elderly Product Development would not expose us to high risk since we already have the relevant experience in this product segment. Our current management resources shall be able to continue to monitor the Elderly Product Development, and we will continue to partner with design houses for development of certain software for our elderly telecommunications products and engage market research consultants to conduct market research on our elderly telecommunications products in Europe to tailor for our expansion in this segment.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Directors believe that although our current focus is on home telephones and office telephones, by expanding into Elderly Product Development, it will complement and benefit our existing business. According to the F&S Report, the share of population aged 65 or older in Europe is expected to increase and Europe is set to become the region with highest share of population aged 65 or older by 2050. Also, the elderly population is set to continue to rise in Latin America, which may contribute to the growth of these elderly telecommunications products for communications. Furthermore, according to the F&S Report, AAL products has seen a robust growth between 2012 and 2016, which is driven by rapid ageing population in Europe leading to an increased demand for smart devices by elderly people. These devices include products such as movement sensors for the elderly. As such, our Directors believe that our further expansion into the Elderly Product Development allows us to take advantage of rising consumer demand of such products, particularly in Europe and Latin America.

Based on the F&S Report regarding the rise of the aging population in Europe and Latin America and demand for AAL products, our Directors believe that there will be sufficient demand for our elderly telecommunications products. Further, as confirmed by our Directors, some of our current customers also have a track record of selling elderly telecommunications products and hence our Directors believe this existing customer network can be leveraged to sell and distribute our newly developed elderly telecommunications products in the future.

For the two years ended 31 December 2016 and the six months ended 30 June 2017, the revenue attributable to the sales of elderly telecommunications products amounted to approximately 10.4%, 11.7% and 12.8% of our Group's total revenue respectively.

We expect the total cost of funding for Elderly Product Development to be approximately HK\$10.4 million which shall fully be funded by the net proceeds from the Share Offer.

### **Software Development**

During the Track Record Period, our manufacturing subcontractors would assist us in development of our product software during the manufacturing stage by customising the firmware and system software to meet our requested features such as call histories, shortcut key functions, ringer melodies, call indicator features etc. As at the Latest Practicable Date, the Group has engaged external parties to develop system software, firmware, application software and server software to support mobile backend as a service (MBaaS) for functions such as monitoring, communication, identification, database and storage of user's information, etc as follows:

- a. system software refers to those running on operating systems, device drivers and utilities;
- b. firmware is generally used to control and monitor the various hardware in the product or system;
- c. application software is the software where users can interact with the product or system through the user interface on the phone, the mobile applications running on mobile devices, user interface on web browser for system access and monitoring;

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## FUTURE PLANS AND USE OF PROCEEDS

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- d. Server software refers to those that run on cloud servers which is mainly used to support our MBaaS, which include cloud computing, video streaming, user management, push notifications, integration with social networking services, custom services.

Initially, the types of software that our Group intends to develop will mainly be application software and server software. Development of our Group's own application software would allow us to implement unique and value added features in our products which include applications running on smartphones to assist the elderly, home monitoring systems and sending notifications to family members of the elderly's location, etc, while our Group's server software development would provide us greater control of the services to our end users via the collection of the user's behavioral patterns and the integration of future products to our Group's centralized MBaaS. Later on, we may also plan to develop firmware in order to further develop our Group's unique hardware oriented features. By doing so, our Directors believe it would enhance our Group's market share in the telecommunications industry whilst also creating value for our Group and our brands.

As such, in the future, we target to hire our own staff to strengthen our Software Development's capability to develop some of the software. We believe that focusing on development of software rather than hardware will enable us to increase our competitiveness. Furthermore, by expanding our product management and design team, we may also be able to bid for more projects from telecom operators. Regarding our risk exposure, as we will be able to develop some of our own software by hiring new staff for Software Development, we will be able to rely less on our third-party design house or manufacturing subcontractors for software development of our products. However, we shall allocate more management resources in managing our Software Development.

Our existing business including the design of home and office telephones may require certain software to be implemented into the hardware. By developing our own team of software engineers and developers, we intend to rely less on third party providers. Also, by being able to develop our own software, we believe we would be able to develop our smart home products and elderly telecommunications products more efficiently and expand our market segment in this area. As such, our Directors believe that our Software Development may diversify and expand our product range, and we would be able to offer a variety of home telephones, office telephones, elderly telecommunications products, and smart home products with different features and various functions tailored to the market of our customers in the future.

The Company intends to develop software to improve our products user interface and develop unique in-house applications which monitor and link up our elderly telecommunications products. Our Directors believe such Software Development shall increase the attractiveness of our products in the long run and provide us with flexibility for development of our own product's software internally.

We expect the total cost of funding for hiring of additional staff for Software Development to be approximately HK\$3.6 million which shall be funded by the net proceeds from the Share Offer.



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## FUTURE PLANS AND USE OF PROCEEDS

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### BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

Potential investors should note that the attainability of our business objective depends on a number of assumptions, in particular:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the existing laws (whether in Hong Kong or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no significant change in the business relationships with our suppliers;
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus;
- the Share Offer and the Capitalisation Issue will be completed in accordance with and as described in “Structure and Conditions of the Share Offer” in this prospectus;
- we will retain key personnel in our management team; and
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under “– Implementation Plans”.

## FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK\$0.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.50 to HK\$0.90 per Offer Share, we will receive gross proceeds of approximately HK\$70.0 million. All expenses (including underwriting fees) in connection with the Listing are estimated to amount to approximately HK\$24.6 million. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting fees), of approximately HK\$45.4 million from the Share Offer. Our Directors intend to apply such net proceeds as follows:

	From the Latest Practicable Date to 30 June 2018 HK\$'000	For the six months ending 31 December 2018 HK\$'000	For the six months ending 30 June 2019 HK\$'000	For the six months ending 31 December 2019 HK\$'000	Total HK\$'000	Approximate percentage of net proceeds from the Share Offer %
Developing our office telephone products	1,650	3,975	–	–	5,625	12.4
Developing our elderly telecommunications products	6,694	–	3,721	–	10,415	23.0
Strengthening and enhancing our sales channels	1,520	3,050	1,350	1,300	7,220	15.9
Expanding our staff team	800	800	5,000	5,000	11,600	25.6
Developing our other products including IP cameras and smart home products	–	–	630	2,000	2,630	5.8
Expanding our geographical coverage	–	–	2,900	2,900	5,800	12.8
General working capital	2,080	–	–	–	2,080	4.5
					45,370	100.0

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the mid-point of the indicative Offer Price range.

Our Directors expect that the net proceeds from the issue of the Offer Shares (assuming any options which may be granted under the Share Option Scheme are not exercised) of approximately HK\$45.4 million will be sufficient to finance the implementation of our Company's future plans up to the period ending 31 December 2019.

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## FUTURE PLANS AND USE OF PROCEEDS

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In the event that the Offer Price is set at the high-end or the low-end of the indicative Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$18.9 million to, high-end of approximately HK\$64.3 million and low-end of approximately HK\$26.5 million, after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the indicative Offer Price range.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with authorised financial institutions.

Our Group will issue an announcement in accordance with the requirements under the GEM Listing Rules if there is any material change in the use of proceeds as described above.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Didier Paul Henri Goujard	68	Executive Director and chief executive officer	12 April 2013*	3 August 2017	Overall strategic management and development of our Group's business operations	None
Mr. Jean-Alexis René Robert Duc	45	Executive Director and ATL Europe's managing director	12 April 2013*	3 August 2017	Overall management of our Group's business operations in Europe	None
Ms. Ho Dora (何淑雯)	48	Executive Director and chief financial officer	12 April 2013*	3 August 2017	Overseeing our Group's operation, business development, human resources, finance and administration	None
Mr. Long Shing (郎盛)	36	Executive Director and sales and marketing director of APAC and Russia	1 August 2013	3 August 2017	Overall management of our Group's business operations in APAC and Russia	Son of Mr. Long and younger brother of Mr. Long Fung

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<i>Non-executive Directors</i>						
Mr. Long Hak Kan (郎克勤)	68	Non-executive Director and chairman	30 August 2017	30 August 2017	Overall strategic management of our Group	Father of Mr. Long Shing and Mr. Long Fung
Mr. Long Fung (郎豐)	36	Non-executive Director	3 August 2017	3 August 2017	Overall strategic management of our Group	Son of Mr. Long and elder brother of Mr. Long Shing
<i>Independent non-executive Directors</i>						
Mr. Yiu Chun Kit (姚振傑)	58	Independent non-executive Director	21 December 2017	21 December 2017	(Note)	None
Ms. Lam Lai Ting Maria Goretta (林麗婷)	47	Independent non-executive Director	21 December 2017	21 December 2017	(Note)	None
Ms. Chan Cheuk Man Vivian (陳卓敏)	34	Independent non-executive Director	21 December 2017	21 December 2017	(Note)	None

\* Date of completion of acquisition of Atlinks Group, being the date of establishment of our Group.

*Note:* Participating in meetings of our Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee, the nomination committee and the risk management committee (as the case may be).

### EXECUTIVE DIRECTORS

**Mr. Didier Paul Henri Goujard** (“**Mr. Goujard**”), aged 68, is an executive Director and chief executive officer of our Company. Mr. Goujard is responsible for overseeing our Group’s operation, business development, human resources, finance and administration. Mr. Goujard became the chief executive officer of ATL Asia on 1 August 2012 and is currently the director of ATL Holdings. He was appointed as a Director on 3 August 2017 and re-designated as our executive Director on 12 September 2017. Mr. Goujard is also a director of ATL Holdings, ATL Asia and ATL Suisse.

Mr. Goujard obtained a DIPLOME d’INGENIEUR (SPÉCIALITÉ: ELECTRONIQUE) (Diploma in Engineering (specialty: Electronics)) from Conservatoire National des Arts et Métiers in June 1977.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Goujard has over 30 years experience in the telecommunications industry. Prior to joining our 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.

Mr. Goujard was a director of the following company prior to its dissolution with details as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of dissolution</b>
Atlinks Group	Ceased business	25 September 2013

Atlinks Group was dissolved by ATL Holdings by transferring its assets and liabilities to ATL Holdings. According to Mr. Goujard, the said company was solvent at the time of dissolution. The dissolution of the said company has not resulted in any liability or obligation imposed against him.

**Ms. Ho Dora** (“**Ms. Ho**”), aged 48, is an executive Director and chief financial officer of our Company and responsible for overseeing our 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 ATL Industries and ATL Suisse and a supervisor of ATL Shenzhen.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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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 our 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.

Ms. Ho was a director of the following companies which were incorporated in Hong Kong and were deregistered and dissolved pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
Kaff Agents Limited	Ceased business	28 March 2002
Jubilee Hong Kong Limited	Ceased business	17 October 2003
3Connects Limited	Ceased business	3 March 2006

Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Ms. Ho confirmed that there is no wrongful act on her part leading to the deregistration of the above companies and she is not aware of any actual or potential claim that has been or will be made against her as a result of the deregistration of the above companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Long Shing**, aged 36, is an executive Director of our Company. Mr. Long Shing is responsible for overall management of our 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 our Group as sales and marketing director in July 2013 and is currently the director of ATL Enterprise and director and legal representative of ATL Shenzhen.

Mr. Long Shing obtained his Bachelor of Commerce degree from The University of British Columbia in May 2005. He began his career as a sales executive in NOK-Freudenberg Hong Kong Limited, a company that specialises in the production and sales of seals for the automotive industry, from February 2005 to October 2005. He worked as a sales executive in Kan Tsang Industrial Company Limited from November 2005 to June 2011. He also worked as a sales director in Kan Tsang Technology Limited, a company that engages in the research and development, manufacture, sale and marketing of electro acoustic components and headsets, from July 2011 to July 2013.

Mr. Long Shing was a director of the following companies which were incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
K&L Corporation Limited	Ceased business	12 April 2013

Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Long Shing confirmed that there is no wrongful act on his part leading to the deregistration of the above company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution and winding-up of the above company.

**Mr. Jean-Alexis René Robert Duc** (“**Mr. Duc**”), aged 45, is an executive Director of our Company. Mr. Duc is responsible for overall management of our 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.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Duc obtained Brevet de Technicien Supérieur in International Trade from Institut Supérieur Européen de Gestion in July 1993 and he further obtained his Master equivalent degree in Marketing & Sales from Institut Supérieur de Gestion in September 1996.

Mr. Duc has over 20 years of experience in the telecommunications industry. He worked as a sales representative in 3X International, a telecommunications company from February 1997 to August 1997. Mr. Duc then worked for Alcatel Business Systems, a telecommunications company from September 1997 to December 1999 with his last position as training manager. From January 2000 to February 2004, Mr. Duc worked as key account manager in Atlinks and then Thomson Telecom, a telecommunications company which acquired Atlinks in January 2004. From March 2004 to December 2008, Mr. Duc was promoted to customer director retail France of Thomson Telecom. In January 2009, he was promoted to commercial director of Europe, Middle East and Africa regions and carried on this position in ATL Europe in January 2010, before he was subsequently promoted to chief executive officer ATL Europe in October 2012.

### NON-EXECUTIVE DIRECTORS

**Mr. Long Hak Kan** (“**Mr. Long**”), aged 68, was appointed as a Director on 30 August 2017 and re-designated as a non-executive Director and appointed as Chairman of our 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’s previous major working experience includes:

<b>Name of organisation</b>	<b>Principal business activity</b>	<b>Position</b>	<b>Period of service</b>
Kan Tsang International Investment Company Limited (Company registration number: 0212011)	Electronics components trading	Director	March 1988 to November 1999
Kan Tsang Industrial Company Limited	Electronics components trading	Director	March 1998 to present
Kan Tsang International Investment Company Limited (Company registration number: 1122601)	Electronics components trading	Director	April 2007 to June 2016
Kan Tsang New Technology Development Limited	Trading of electronic products	Director	December 2015 to present

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Long was a director of the following companies which were incorporated in Hong Kong and were deregistered and dissolved pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
Tophoenix Company Limited	Ceased business	9 February 2001
Starpower Pacific Limited	Ceased business	24 May 2002
Kan Tsang Purified Water (HK) Co. Limited	Ceased business	30 August 2002
Somalighting Company Limited	Ceased business	1 August 2003
HK Green Energy Organisation Limited	Ceased business	25 June 2004
Smart Deportment (H.K.) Company Limited	Ceased business	3 September 2004
Neotune Information Technology Company Limited	Ceased business	11 November 2005
Kan Tsang Biological Technology Company Limited	Ceased business	6 October 2006
Huafuda Environmental (H.K.) Limited	Ceased business	11 January 2008
Grand Empire (China) Limited	Ceased business	9 March 2012

Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Long confirmed that there is no wrongful act on his part leading to the deregistration of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of the above companies.

Mr. Long was also a director of Kan Tsang International Investment Company Limited (Company registration number: 1122601) which was incorporated in Hong Kong and was deregistered and dissolved on 10 June 2016 pursuant to section 751 of the Companies Ordinance.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Under section 750 of the Companies Ordinance, an application to deregister a company pursuant to section 751 of the Companies Ordinance can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Long confirmed that there is no wrongful act on his part leading to the deregistration of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of the above company.

Mr. Long was a director of the following companies which were incorporated in Hong Kong and were dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of dissolution</b>
Chief Rich Technology Limited	Ceased business	18 May 2001
Konlane Development Limited	Ceased business	20 July 2001
Glory Captain Company Limited	Ceased business	19 October 2001

According to Mr. Long, the above companies were not carrying on business and was solvent at the time of it being struck off. The dissolution of the said companies has not resulted in any liability or obligation imposed against him.

Mr. Long was a director of Kan Tsang (HK) Industrial Limited which was incorporated in Hong Kong and was dissolved by striking off pursuant to section 746 of the Companies Ordinance on 19 August 2016. According to Mr. Long, the said company has ceased business immediately prior to its dissolution. The dissolution of the said company has not resulted in any liability or obligation imposed against him.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Long was a legal representative/chairman/vice-chairman of the following companies which were established in the PRC and which business license was revoked. The relevant details are as follows:

Name of Company	Nature of business immediately prior to business license being revoked	Date of revocation of business license
Shenzhen Kangfu Healthy Products Company Ltd* (深圳康富健康產品有限公司)	Ceased business	5 November 1998
Huida (Zhangjiagang Free Trade Zone) Global Trading Company Ltd* (暉達(張家港保稅區)國際貿易有限公司)	Ceased business	30 December 1999
Zhejiang Xinqin Electronic Components Company Ltd* (浙江新勤電子原件有限公司)	Ceased business	4 September 2000
Changzhou Yiliqin Leather Company Ltd* (常州億利勤皮革有限公司)	Ceased business	11 December 2000
Zhejiang Tongqin Electronics Company Ltd* (浙江桐勤電子有限公司)	Ceased business	20 July 2002
Suzhou Qinzeng Electronic Company Ltd* (蘇州勤增電子有限公司)	Ceased business	31 December 2003
Shanghai Sanjiang Real Estates Development Company Ltd* (上海三江房地產發展有限公司)	Ceased business	27 February 2004
Changzhou Nanqin Electronic Company Ltd* (常州南勤電子有限公司)	Ceased business	26 January 2010

The above companies have been revoked of their business licenses because they have failed to submit their annual corporate filings. The revoking of the business licenses of the said companies has not resulted in any liability or obligations imposed against them.

Mr. Long confirmed that there is no wrongful act on his part leading to the business licenses of the above companies being revoked and he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation of the business licenses of the above companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Long Fung**, aged 36, is a non-executive Director of our Company. Mr. Long Fung is responsible for the overall strategic management of our Group. Mr. Long Fung was appointed as a Director on 3 August 2017 and re-designated as a non-executive Director on 12 September 2017.

Mr. Long Fung obtained his Bachelor of Science degree majoring in biochemistry in The University of British Columbia in June 2004. From June 2012 to April 2015, he was a director of Witron Technology Limited, the principal business of which is a bluetooth design house, and from June 2017 until the Latest Practicable Date, he was re-appointed as a director of Witron Technology Limited. From December 2015 until the Latest Practicable Date, he was a director of Kan Tsang New Technology Development Limited, the principal business of which is trading of electronic products.

Mr. Long Fung was a director of the following companies which were incorporated in Hong Kong and were deregistered and dissolved pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
KF Electronics Limited	Ceased business	31 August 2007
Ablemax Investments Limited	Ceased business	14 August 2009
More Rich Holdings Limited	Ceased business	28 January 2011
Get Rich Holdings Limited	Ceased business	22 February 2013
Rich Field Investments Limited	Ceased business	30 May 2014
Rich Goal Development Limited	Ceased business	30 May 2014

Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Long Fung confirmed that there is no wrongful act on his part leading to the deregistration of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution and winding-up of the above companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Long Fung was a director of the following companies which were incorporated in Hong Kong and were deregistered and dissolved pursuant to section 751 of the Companies Ordinance. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
Star Full International Limited	Ceased business	18 February 2015
Multi Luck Investments Limited	Ceased business	15 April 2016
NoMood2Work Limited	Ceased business	28 July 2017

Under section 750 of the Companies Ordinance, an application to deregister a private company pursuant to section 751 of the Companies Ordinance can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Long Fung confirmed that there is no wrongful act on his part leading to the deregistration of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution and winding-up of the above companies.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yiu Chun Kit** ("Mr. Yiu"), aged 58, was appointed as an independent non-executive Director on 21 December 2017. Mr. Yiu Chun Kit is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of our Group, and reviewing the financial information of our Group on a regular basis.

Mr. Yiu obtained his Professional Diploma from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1984. Mr. Yiu Chun Kit was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 1987 and a chartered professional accountant and a certified management accountant of the Chartered Professional Accountants in British Columbia in June 2015. In October 1992, he was admitted as a fellow member of the Chartered Association of Certified Accountants.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yiu's previous major working experiences include:

Name of organisation	Principal business activity	Last position	Period of service
Climax Paper Converters, Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange) (Stock code: 439) at the relevant time	Photo albums, paper products manufacturing, distributing & branding businesses	Financial controller and senior vice-president of corporate affairs	1990 to July 1992
Climax International Company Limited (a company listed on the Main Board of the Stock Exchange) (Stock code: 439)	Photo albums, paper products manufacturing, distributing & branding businesses	Chief financial officer	September 1996 to September 1998
Le Saunda Management Ltd. (a subsidiary of a company listed on the Main Board of the Stock Exchange) (Stock code: 738)	Shoes manufacturing, retailing & franchising, property development	Finance director and executive director	September 1998 to December 2002
Regal Wealthy Management Limited	Chinese & western medicines, health products	Financial controller and business development director	August 2003 to September 2005
Frasers Property (China) Limited (now known as Gemdale Properties and Investment Corporation Limited) (a company listed on the Main Board of the Stock Exchange) (Stock code: 535)	Property development	Chief financial officer and company secretary	October 2005 to November 2012
New Standard Enterprises Company Limited	Copper recycling	Chief financial officer	November 2012 to August 2015

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yiu was a director of the following companies which were incorporated in Hong Kong and were deregistered and dissolved pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
Super Speed Enterprises Limited	Ceased business	22 September 2006
Vision Century Finance Limited	Ceased business	7 September 2007
Sound Trade Limited	Ceased business	23 November 2007
Vision Century Development (Hong Kong) Limited	Ceased business	14 December 2007
Chaton Limited	Ceased business	28 December 2007
Victory Great Investment Limited	Ceased business	3 April 2008
Vision Century Properties (Hong Kong) Limited	Ceased business	23 May 2008
Vision Century Estate Agents Limited	Ceased business	27 June 2008
Mutual Forever Investment Limited	Ceased business	18 July 2008
Shun Yick Kee Limited	Ceased business	18 July 2008
Million Wealth Development Limited	Ceased business	16 January 2009
Readworld.Com Limited	Ceased business	16 January 2009
Rich Ocean Development Limited	Ceased business	22 May 2009
Glory Honour Development Limited	Ceased business	10 July 2009
Poly-Strong Development Limited	Ceased business	5 March 2010

Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Yiu confirmed that there is no wrongful act on his part leading to the deregistration of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution and winding-up of the above companies.

**Ms. Lam Lai Ting Maria Goretti** (“**Ms. Lam**”), aged 47, 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 our Group, and reviewing the financial information of our Group on a regular basis.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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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:

<b>Name of Organisation</b>	<b>Principal business activity</b>	<b>Position</b>	<b>Period of Service</b>
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 companies in Hong Kong	Director	2012 to present
Eco Alliance Technologies Limited	Energy saving joint venture company	Director	2013 to present

Ms. Lam was a director of the following company which was incorporated in Hong Kong and was deregistered and dissolved pursuant to section 751 of the Companies Ordinance. The relevant details are as follows:

<b>Name of Company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of deregistration</b>
Fernhill Energy Corporation Limited	Not commenced business	28 October 2016

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Under section 750 of the Companies Ordinance, an application to deregister a company pursuant to section 751 of the Companies Ordinance can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Ms. Lam confirmed that there is no wrongful act on her part leading to the deregistration of the above company and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution and winding-up of the above company.

**Ms. Chan Cheuk Man Vivian** (“**Ms. Chan**”), aged 34, 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 our Group, and reviewing the financial information of our 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 worked as an assistant solicitor in William W.L. Fan & Co from November 2009 to November 2013. Ms. Chan was then promoted as partner at W.L. Fan & Co in December 2013 and was a partner of the firm until June 2015. Since September 2015 until the Latest Practicable Date, Ms. Chan was the principal of Vivian Chan Law Office.

Save as disclosed in the paragraph headed “C. Further information about substantial shareholders, directors and experts” in Appendix IV to this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, controlling shareholders (as defined under the GEM Listing Rules), or senior management of our Company; and (iii) had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

Saved as disclosed in the paragraph headed “C. Further information about substantial shareholders, directors and experts – 2. Particulars of service agreements” in Appendix IV to this prospectus, each Director has no existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation).

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Save as disclosed in this section, to the best of our Directors' knowledge having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Cesarini Claude Daniele Marie	53	general manager	12 April 2013*	12 April 2013	Overseeing the operation and administration of our Group in Latin America	None

\* Date of completion of acquisition of Atlinks Group, being the date of establishment of our Group.

**Ms. Cesarini Claude Daniele Marie** (“**Ms. Cesarini**”), aged 53, is the general manager of our Group. She joined ATL Asia as general manager in July 2010 and is primarily responsible for overseeing the operation and administration of our Group in Latin America.

Ms. Cesarini obtained Brevet de Technicien Supérieur in international business from Ministère de l'Éducation Nationale (France) in June 1986. Prior to joining our Group, Ms. Cesarini worked at Thomson Inc. (USA), a telecommunications services and products provider from 2003 to June 2010 with her last position as key account manager of sales and marketing in Latin America.

### COMPANY SECRETARY

We have appointed Ms. Ho as the company secretary of our Company. See “Executive Directors” in this section for her biographical details.

### COMPLIANCE OFFICER

Ms. Ho is the compliance officer of our Company. For details of her biographical details, please refer to the paragraph headed “Executive Directors” in this section.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPLIANCE ADVISER

We have appointed Lego Corporate Finance Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 6A.19 of the GEM Listing Rules and Lego Corporate Finance Limited assumes responsibility for acting as our Compliance Adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Except for (i) Lego Corporate Finance Limited’s role as the Sole Sponsor in relation to the Listing; (ii) the compliance adviser agreement entered into between our Company and Lego Corporate Finance Limited; and (iii) the Underwriting Agreements pursuant to which Lego Corporate Finance Limited has the capacity as the Sole Sponsor, Lego Corporate Finance Limited does not have any other contractual arrangement with our Group as at the Latest Practicable Date.

### BOARD COMMITTEES

The Board has established the Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Risk Management Committee**

Our Company has established the Risk Management Committee on 21 December 2017 with written terms of reference in compliance with paragraphs D2 of the Code. The Risk Management Committee comprises three members, namely Mr. Goujard, Ms. Chan and Ms. Lam, of which Mr. Goujard is the chairman of the Risk Management Committee. The principal duties of the Risk Management Committee are, among other things, to provide risk management measures regarding operations of our Group to our Board.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### **Audit Committee**

Our Company has established the Audit Committee on 21 December 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The Audit Committee comprises three members, namely Ms. Lam, Mr. Yiu and Ms. Chan, of which Ms. Lam is the chairman of the Audit Committee. The principal duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group, review of our Group's financial information, review of the relationship with the external auditor of our Company and performance of the corporate governance functions delegated by our Board.

### **Remuneration Committee**

Our 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. The Remuneration Committee comprises three members, namely Mr. Yiu, Ms. Lam and Ms. Chan. Mr. Yiu is the chairman of the Remuneration Committee. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

### **Nomination Committee**

Our 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 comprises three members, namely Mr. Long, Mr. Yiu and Ms. Chan. Mr. Long is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

## **CORPORATE GOVERNANCE**

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Risk Management Committee, Audit Committee, Remuneration Committee and Nomination Committee on 21 December 2017 with respective written terms of reference in accordance with the code provisions contained in the Code. Further information is set out in the paragraphs headed "Risk Management Committee", "Audit Committee", "Remuneration Committee" and "Nomination Committee" in this section;

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provision of the Code;
- (iii) we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities after Listing;
- (iv) we have appointed three independent non-executive Directors representing one-third of the Board and at least one of them has accounting expertise;
- (v) the chairman of our Board is Mr. Long whereas the chief executive officer of our Company is Mr. Goujard. The roles of the chairman and the chief executive will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be counted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which was paid to our Directors for each of the years ended 31 December 2015, 2016 and the six months ended 30 June 2017 was approximately EUR1.1 million, EUR1.0 million and EUR0.5 million, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for each of the years ended 31 December 2015, 2016 and the six months ended 30 June 2017 was approximately EUR85,000, EUR78,000 and EUR45,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 3. Remuneration of Directors" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (excluding our Directors amongst the five highest paid individuals) in aggregate for each of the years ended 31 December 2015, 2016 and the six months ended 30 June 2017 was approximately EUR0.3 million, EUR0.3 million and EUR0.1 million, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 10 in the Accountant's Report set out in Appendix I to this prospectus.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **MANDATORY PROVIDENT FUND SCHEME**

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 21 December 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and general information – Share Option Scheme” in Appendix IV to this prospectus.



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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
4,000,000,000 Shares of HK\$0.01 each	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and Capitalisation Issue:</i>	
10,000 Shares in issue as at the date of this prospectus	100
299,990,000 Shares to be issued under the Capitalisation Issue	2,999,900
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
<u>400,000,000</u> Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Share Offer	<u>4,000,000</u>

### ASSUMPTIONS

The above table assumes the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made as described herein. It does not take into account any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 100,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

### RANKING

The Offer Shares will rank pari passu in all respects with all shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 21 December 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to the Company or its subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the section headed “Share Option Scheme” in Appendix IV to this Prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed “Written resolutions of the sole Shareholder passed on 21 December 2017” under the paragraph “Further information about our Company” in Appendix IV to this Prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Share Offer and Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Further information about our Company – Repurchase of our shares by our Company” in Appendix IV to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Further information about our Company – Repurchase of our shares by our Company” in Appendix IV to this Prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law” to this Prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group or any other members of our Group:

Name of Shareholder	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of shareholding as at the Latest Practicable Date	Number of Shares held/ interested immediately following completion of the Share Offer and the Capitalisation Issue <i>(Note 1)</i>	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Eiffel Global	Beneficial owner	1	100%	300,000,000(L)	75%
TOHL <i>(Note 2)</i>	Interest of controlled corporation	1	100%	300,000,000(L)	75%
Ms. Chu <i>(Note 3)</i>	Interest of controlled corporation	1	100%	300,000,000(L)	75%
Mr. Long <i>(Note 4)</i>	Interest of spouse	1	100%	300,000,000(L)	75%

*Notes:*

1. The letter “L” denotes the person’s long position in the Shares of the Company.
2. 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.
3. Ms. Chu is deemed or taken to be interested in all the Shares which are beneficially owned by TOHL under the SFO. TOHL is wholly-owned by Ms. Chu.
4. Mr. Long is the spouse of Ms. Chu and he is deemed or taken to be interested in all the Shares which are beneficially owned by Ms. Chu under the SFO.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors or chief executive of the Company) who will, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than the Company.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. Our Group's audited combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The discussion and analysis in this section of the prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which we do not have any control over. Factors that could cause or contribute to such differences include those discussed in "Forward-looking Statements", "Risk Factors" and "Business" as well as those discussed elsewhere in this prospectus.*

*Unless the context otherwise requires, financial information described in this section is described on a combined basis.*

### OVERVIEW

We are a home and office telecommunications product designing company and we sell our products through the telecom operators, large consumer retail chain stores and distributors mainly located in Europe and Latin America. During the Track Record Period, we derive our revenue principally from designing, developing and selling home and office telecommunications products under the Licensed Marks and other customer brand names for the European, Latin American and Asian markets. Our customers include large consumer retail chain stores, telecom operators and distributors mainly located in Europe and Latin America.

Our principal line of business is the product and solutions design and development, sales, marketing and after-sales services of home and office telecommunications products. As at the Latest Practicable Date, our telecommunications product range includes home telephones (corded and cordless), office telephones (analog and VoIP telephones) and other telecommunications products including IP conference devices, IP cameras and monitoring products.

As at the Latest Practicable Date, our Group comprised our Company, ATL Industries, ATL Holdings, ATL Europe, ATL Asia, ATL Mexico, ATL Shenzhen, ATL Suisse and ATL Enterprise.

We do not manufacture our home and office telecommunications products ourselves. We outsource our production processes to subcontractors.

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## FINANCIAL INFORMATION

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Our Group recorded revenue of approximately EUR49.3 million and EUR40.6 million for the years ended 31 December 2015 and 2016, respectively and approximately EUR18.6 million and EUR18.2 million for the six months ended 30 June 2016 and 2017, respectively. Our Group recorded net profit attributable to owners of our Company of approximately EUR1.3 million and EUR1.4 million for the years ended 31 December 2015 and 2016, respectively and approximately EUR0.3 million and net loss of approximately EUR0.3 million for the six months ended 30 June 2016 and 2017, respectively. Excluding the non-recurring Listing expenses of approximately EUR0.5 million incurred in connection with the Listing during the six months ended 30 June 2017, our net profit attributable to the owners of our Company would be approximately EUR0.1 million for the six months ended 30 June 2017.

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation as detailed in “History, Development and Reorganisation” of this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 21 December 2017. As the Reorganisation has not resulted in any change of ultimate control of our group companies, the historical financial information of our Group has been prepared on a combined basis.

Our combined financial information has been prepared in accordance with the HKFRSs and applicable disclosures requirement of the GEM Listing Rules and the Companies Ordinance. Our combined financial information is presented in European dollars, which is the Group’s presentation currency as the Directors considered that Euros is the appropriate presentation currency as the Group’s operation is substantially in Europe.

Details regarding the basis of presentation and preparation of our combined financial information are set out in notes 1.3 and 2.1 to the Accountant’s Report.

### **MAJOR FACTORS AFFECTING OUR GROUP’S FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The results of operations and financial position have been and will continue to be affected by a number of factors, many of which may be beyond the control of our Group, including those factors set out in “Risk Factors” and those set out below.

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

During the Track Record Period, the sales for the Licensed Products accounted for approximately 80.2%, 84.4% and 86.4% of our revenue for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, respectively. We are still subject to early termination of the License Agreement and cannot assure that we will be successful in renewal of our license with Alcatel Lucent in 2027. Furthermore, since the Alcatel brand is a renowned brand of a global telecom equipment company in Europe, in the event that there is any negative press towards Alcatel Lucent, our sales of the Licensed Products will drop and our operations and financial results could be adversely affected.

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## FINANCIAL INFORMATION

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### **Change in the economic and regulatory factor conditions in Europe and Latin America**

During the Track Record Period, our sales to the European market (including but not limited to France, Switzerland, Spain, Portugal, Italy, Germany and Greece in terms of shipment destination without taking into account re-export or onward sales (if any) of our products by our customers) represented approximately 58.8%, 68.4% and 67.1% of our total revenue respectively, and our sales to the Latin America market (including but not limited to Peru, Mexico, Argentina and Chile in terms of shipment destination without taking into account re-export or onward sales (if any) of our products by our customers) represented approximately 29.4%, 23.1% and 19.6% of our total revenue, respectively. Our Directors expect that our sales to the European and Latin America markets will continue to represent significant portion of our revenue in the near future. Change in the economic conditions and regulatory factors impacting these markets could adversely affect the spending habits of the consumers in these markets which, in turn, the purchasing decisions of our customers in the European and Latin America markets. If there is an unforeseen decrease in the volume of orders from our customers in the European and Latin America markets, we cannot assure that we could increase orders from other markets to make up for such loss of sales.

### **Lack of long-term agreement with our customers**

We generally do not enter into long-term agreements with our major customers. Our revenue was generally based on the actual purchase orders received from our major customers from time to time with no long-term commitment to place any future orders with us. Our major customers are not obligated to continue placing orders with us. We cannot assure that if there is any unexpected cessation of, or substantial reduction in the volume of, orders from our existing major customers, we are able to increase orders from other existing customers on commercially reasonable terms and as a result, our operations and financial results could be adversely affected.

### **Product mix and customer mix**

We have a diverse product portfolio comprising a broad range of home telephones, business telephones, smart home products, IP camera, IP baby monitor and door phone. We believe our diverse product range enables us to capture the business opportunities on changing market trends and consumer preferences in the global market. The type and number of products purchased by our customers vary from year to year depending on, among others, the marketing plan and strategy of our customers for the relevant year. As different products have different selling prices and generate different gross profit margins depending on facts such as cost of raw materials or inventory, product pricing and marketing strategy, the mix of products in our portfolio which are accepted by our customers, and subsequently received purchase order will affect our financial performance. During the Track Record Period, our financial performance has varied due to the change in product mix and may continue to vary as we develop new products to suit changing market trends and customer preferences.

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## FINANCIAL INFORMATION

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### **Taxation**

Our profitability and financial performance are affected by applicable tax rates and the availability of preferential tax treatment. Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI. During the Track Record Period, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, corporate income tax on profits from a subsidiary operating in Mainland China has been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations and corporate income tax on profits from a subsidiary operating in France has been calculated at 33.3% in accordance with the relevant France tax laws and regulations.

### **Currency fluctuation and hedging transaction**

During the Track Record Period, while our purchase and costs of inventories were mainly denominated in USD, a substantial portion of our revenue was denominated in Euros due to the business orientation in Europe. Any significant fluctuations in the exchange rates between USD and Euros could materially and adversely affect our results of operations. Any future exchange rate volatility relating to USD could expose us to risks of uncertainties in the value of net assets, profits and dividends. For the year ended 31 December 2015 and the six months ended 30 June 2016 and 2017, we recorded net exchange gains amounted to approximately EUR364,000, EUR92,000 and EUR481,000, respectively, and we recorded net exchange loss of approximately EUR216,000 for the year ended 31 December 2016.

As at 31 December 2015, 31 December 2016 and 30 June 2017, if USD had strengthened/weakened against Euros by 5% with all other variables held constant, the post-tax profit/(loss) for the respective years ended 31 December 2015 and 2016 and six months ended 30 June 2017 would have been approximately EUR535,000, EUR515,000 and EUR412,000 lower/higher, mainly as a result of foreign exchange losses/gains on revaluation of USD denominated cash and cash equivalents, trade receivables, trade payables and loans from related parties. In view of the currency risk exposure with USD, to partially hedged against the risk of fluctuation of the USD against the Euros, we entered into certain foreign-exchange forward contracts during the Track Record Period to sell Euros and buy USD at specified exchange rates on specified future dates. As at 30 June 2017, the notional principal amounts of the outstanding foreign exchange forward contracts were approximately USD8.8 million. In the future, we intend to continue to conduct foreign-exchange hedging transactions and we cannot assure that such transactions will be risk-free, and any loss resulting from such transactions may materially and adversely affect our financial condition and results of operations.



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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of our financial information in conformity with the HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our combined financial information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial information and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies, judgements, estimates and assumptions that we consider as significant, which are set out in detail in notes 2 and 4 to the Accountant's Report.

#### Revenue recognition

We derive our revenue principally from designing, developing and selling home and office telecommunications products for the European, Latin American and Asian markets. Our Group generally recognises revenue from the sales of telecommunications products upon delivery of our products to our customers with their acceptance of our products.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, we recognised revenue of approximately EUR49.3 million, EUR40.6 million, EUR18.6 million and EUR18.2 million, respectively, mainly from the sales of telecommunication products. Revenue from the sales of our products is recognised upon transfer of the risks and rewards associated with the ownership of the relevant goods. For details regarding our accounting policy relating to revenue recognition, please see note 2.22 to the Accountant's Report.

#### Impairment of receivables

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

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## FINANCIAL INFORMATION

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### **Current and deferred taxes**

Our Group makes significant judgement in determining the provision for income taxes. There are transactions and calculations during the ordinary course of our Group's business for which the ultimate tax treatment is subject to judgement. If our 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.

### **Financial assets**

During the Track Record Period, financial assets of our Group mainly represented (i) trade receivables, deposits and other receivables, pledged bank deposits and cash and cash equivalents, which were classified as loans and receivables; and (ii) derivative financial assets which were classified as financial assets at fair value through profit or loss.

Please refer to notes 2.8 and 2.10 to the Accountant's Report for our accounting policies relating to, among others, classification, recognition, derecognition, measurement and impairment of financial assets.

### **Foreign currency translation**

Our combined financial information is presented in Euros, as the Directors considered that Euros is the appropriate presentation currency as the Group's operation is substantially in Europe. During the Track Record Period, certain of our transactions, assets and liabilities were denominated in foreign currencies such as USD. Foreign exchange differences 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 profit or loss of our combined income statements.

For further details regarding our accounting policy relating to foreign currency translation, please see note 2.3 to the Accountant's Report.

### **Inventories**

As at 31 December 2015, 31 December 2016 and 30 June 2017, we had inventories of approximately EUR6.6 million, EUR7.0 million and EUR5.9 million, respectively, representing our finished goods at respective year/period.

For further details regarding our accounting policy relating to inventories, please see note 2.11 to the Accountant's Report.

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## FINANCIAL INFORMATION

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### Property, plant and equipment

As at 31 December 2015, 31 December 2016 and 30 June 2017, our property, plant and equipment remained at approximately EUR0.2 million, representing our leasehold improvements, testing equipment, furniture and office equipment and tooling.

For further details regarding our accounting policy relating to property, plant and equipment, please see note 2.5 to the Accountant's Report.

### SUMMARY RESULTS OF OPERATION

The following is a summary of the audited combined income statements of our Group during the Track Record Period as extracted from the Accountant's Report as set out in Appendix I to this prospectus.

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
			(Unaudited)	
<b>Revenue</b>	49,335	40,560	18,585	18,236
Cost of sales	<u>(36,554)</u>	<u>(29,041)</u>	<u>(13,377)</u>	<u>(13,361)</u>
<b>Gross profit</b>	12,781	11,519	5,208	4,875
Other income	254	204	35	70
Other gain/(loss)				
– Exchange difference	364	(216)	92	481
– Fair value changes on derivative financial instruments	(591)	331	255	(583)
Selling and distribution expenses	(3,961)	(3,241)	(1,738)	(1,453)
Administrative expenses				
– Legal and professional fee for Listing preparation	–	–	–	(490)
– Others	<u>(6,826)</u>	<u>(6,423)</u>	<u>(3,286)</u>	<u>(3,200)</u>
Financial costs, net	<u>(336)</u>	<u>(322)</u>	<u>(151)</u>	<u>(201)</u>
<b>Profit/(loss) before income tax</b>	1,685	1,852	415	(501)
Income tax (expenses)/credit	<u>(338)</u>	<u>(467)</u>	<u>(76)</u>	<u>154</u>
	<u>1,347</u>	<u>1,385</u>	<u>339</u>	<u>(347)</u>
<b>Profit/(loss) for the year/period attributable to:</b>				
Owners of our Company	1,347	1,403	339	(330)
Non-controlling interests	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>(17)</u>
<b>Profit/(loss) for the year/period</b>	<u>1,347</u>	<u>1,385</u>	<u>339</u>	<u>(347)</u>

## FINANCIAL INFORMATION

### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED INCOME STATEMENT

#### Revenue

During the Track Record Period, our revenue is mainly derived from (i) sales of home telephones; (ii) sales of office telephones such as analog and VoIP telephones; and (iii) other products including sales of IP conference devices, IP cameras and monitoring products, etc. Set out below is the breakdown of our revenue derived from different product categories and the sales volume and average selling price per unit of the products during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	<i>EUR'000</i>	<i>% of total revenue</i>	<i>EUR'000</i>	<i>% of total revenue</i>	<i>EUR'000</i>	<i>% of total revenue</i>	<i>EUR'000</i>	<i>% of total revenue</i>
	(Unaudited)							
<b>Revenue</b>								
Home telephones	43,166	87.5	34,600	85.4	15,814	85.1	15,453	84.7
Office telephones	5,312	10.8	4,887	12.0	2,347	12.6	2,165	11.9
Other products	857	1.7	1,073	2.6	424	2.3	618	3.4
<b>Total</b>	<b>49,335</b>	<b>100.0%</b>	<b>40,560</b>	<b>100.0%</b>	<b>18,585</b>	<b>100.0%</b>	<b>18,236</b>	<b>100.0%</b>

Our sales volume is determined by our customers' demand which is in turn affected by the macro consumer market and performance of our business operations. The following table sets out our sales volume and average unit selling price of our products categories during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	<i>Sales volume</i>	<i>Average selling price</i>	<i>Sales volume</i>	<i>Average selling price</i>	<i>Sales volume</i>	<i>Average selling price</i>	<i>Sales volume</i>	<i>Average selling price</i>
	<i>Approximate ('000 units)</i>	<i>price (EUR) (Note)</i>	<i>Approximate ('000 units)</i>	<i>price (EUR) (Note)</i>	<i>Approximate ('000 units)</i>	<i>price (EUR) (Note)</i>	<i>Approximate ('000 units)</i>	<i>price (EUR) (Note)</i>
Home telephones	2,986	14.5	2,426	14.3	1,101	14.4	1,156	13.4
Office telephones	360	14.8	336	14.5	166	14.1	140	15.5
Other products	13	65.9	27	39.7	10	42.4	10	61.8

*Note:* The average selling price represents the revenue for respective types of products for the respective financial years divided by the total sales volume for respective types of products for the respective financial years.

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Our Group's revenue is mainly affected by (i) the selling price of each type of our products; and (ii) demand from our customers on different types of our products. Our total revenue for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 amounted to approximately EUR49.3 million, EUR40.6 million, EUR18.6 million and EUR18.2 million, respectively.

Our total revenue decreased by approximately 17.8% from approximately EUR49.3 million for the year ended 31 December 2015 to approximately EUR40.6 million for the year ended 31 December 2016. Such decrease in the revenue was mainly due to the decrease in revenue from the sales of home telephones and office telephones from approximately EUR43.2 million and EUR5.3 million for the year ended 31 December 2015 to approximately EUR34.6 million and EUR4.9 million, respectively, and the effect of which was partially offset by the increase in revenue from the sales of other products from approximately EUR0.9 million for the year ended 31 December 2015 to approximately EUR1.1 million for the year ended 31 December 2016.

Our total revenue for the six months ended 30 June 2017 remained relatively stable at approximately EUR18.2 million as compared to approximately EUR18.6 million for the six months ended 30 June 2016. The following is the analysis of our revenue generated from our home telephones, office telephones and other products during the Track Record Period.

### *Home telephones*

We generated a substantial portion of our revenue from selling our home telephones during the Track Record Period. For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, sale of our home telephones were approximately EUR43.2 million, EUR34.6 million, EUR15.8 million and EUR15.5 million, which accounted for approximately 87.5%, 85.4%, 85.1% and 84.7% of our total revenue, respectively. The revenue from selling our home telephones decreased by approximately EUR8.6 million or 19.8% from approximately EUR43.2 million for the year ended 31 December 2015 to approximately EUR34.6 million for the year ended 31 December 2016. Such decrease was mainly due to the decrease in the sales volume of home telephones as a result of (i) the depreciation of the local currency against the US dollars of our customers mainly in Latin America during the year ended 31 December 2016 as compared to the corresponding period in 2015, which our Directors believe affect their purchasing power and desire and hence they had tightened their budgets for purchase of our telecommunications products in 2016; and (ii) the substantial decrease in the sales orders of our home telephones placed by one of our major customers in Argentina (the "Customer C") during the year ended 31 December 2016 primarily due to our Group had obtained a project sales order from the Customer C amounted to approximately EUR3.5 million through a project tendering bid in 2015, while no project tendering was invited from the Customer C during the year ended 31 December 2016. To the best of our Directors' knowledge, the Customer C generally invites project tendering every two to three years.

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Our revenue from home telephones remained stable at approximately EUR15.5 million for the six months ended 30 June 2017 as compared to approximately EUR15.8 million for the six months ended 30 June 2016.

### *Office telephones*

Our revenue from office telephones decreased by approximately 8.0% from approximately EUR5.3 million for the year ended 31 December 2015 to approximately EUR4.9 million for the year ended 31 December 2016. Such decrease was mainly due to the combined effect of (i) the decrease in sales volume of office telephones from approximately 360,000 units in 2015 to approximately 336,000 units in 2016 mainly attributable to the decrease in number of orders placed by our customers from Latin America which the Directors believe is due to the impact of the depreciation of the local currency in Latin America against the US dollars in 2016 as compared to 2015 mentioned in this section above; and (ii) the decrease in average selling price per unit of office telephone primarily driven by the decrease in costs of raw materials used for office telephones manufacturing as stated in the section headed “Industry Overview – Cost structure analysis” in this prospectus.

Our revenue from office telephones remained stable at approximately EUR2.2 million for the six months ended 30 June 2017 as compared to approximately EUR2.3 million for the six months ended 30 June 2016.

### *Other products*

Our sales from other products represented the sales of IP conference device, IP cameras, monitoring products and smart home products. Our revenue from other products increased by approximately 25.2% from approximately EUR0.9 million for the year ended 31 December 2015 to approximately EUR1.1 million for the year ended 31 December 2016. Our revenue from other products continue to increase from approximately EUR0.4 million for the six months ended 30 June 2016 to approximately EUR0.6 million for the six months ended 30 June 2017, representing an increase of approximately 45.8%. Our Group aims to expand our product ranges including developing telecommunications products targeted at the elderly market as well as the visually and hearing impaired and providing ancillary services to our telecommunications products to capture the potential opportunities in the smart home products market.

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### Revenue by geographical location

Our customers are mainly consumer retail chain stores and telecom operators who, to the best of our Directors' knowledge, purchase our products for onward sales to their local or overseas markets, mainly covering France and various other countries in Europe, Latin America and other locations. The following table sets out the breakdown of our Group's revenue by geographical location of the shipment destination of our products covering all our business segments (*Note 1*) for the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	EUR'000	% of revenue	EUR'000	% of revenue	EUR'000	% of revenue	EUR'000	% of revenue
	(Unaudited)							
France	21,746	44.1	21,223	52.3	10,215	55.0	8,797	48.2
Latin America								
<i>Note 2</i>	14,495	29.4	9,350	23.1	3,638	19.6	3,624	19.9
Other								
European countries								
<i>Note 3</i>	7,251	14.7	6,527	16.1	3,145	16.9	3,445	18.9
APAC/Russia/MEA								
<i>Note 4</i>	5,843	11.8	3,460	8.5	1,587	8.5	2,370	13.0
<b>Total</b>	<b>49,335</b>	<b>100.0</b>	<b>40,560</b>	<b>100.0</b>	<b>18,585</b>	<b>100.0</b>	<b>18,236</b>	<b>100.0</b>

*Notes:*

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

We generated revenue from the sales of our products shipped to different location including but not limited to France and Latin America. Our operating results are therefore very dependent on the shipment destinations of orders placed by our major customers and the economic conditions in these regions.

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Our sales to France remained relatively stable at approximately EUR21.2 million for the year ended 31 December 2016 as compared to approximately EUR21.7 million for the year ended 31 December 2015, representing approximately 44.1% and 52.3% of our total sales for the years ended 31 December 2015 and 2016, respectively. Our sales to France decreased by approximately 13.9% from approximately EUR10.2 million for the six months ended 30 June 2016 to approximately EUR8.8 million for the six months ended 30 June 2017 mainly due to a general decrease in the sales of home telephone products in European countries and a defer of the committed purchase orders of our home telephones products of approximately EUR1.3 million we expect to receive from three of our existing major customers (the “**Deferred Order Customers**”) in France with orders to be delivered during the first half of 2017 as compared to their purchasing pattern during the corresponding period in 2016. To the best of our Directors’ knowledge, the reason of such deferral of the committed purchase orders was mainly due to the Deferred Order Customers have changed their procurement strategy since early 2017 where they intended to reduce (and subsequently terminate) their purchase orders from one of their suppliers and we shall take up the sales orders from that supplier for the year ending 31 December 2017. However, due to internal procedure delay in procurement, the Deferred Order Customers had not terminated the said major supplier and deferred the committed purchase orders of our home telephones product until August 2017 as purchase from the said major supplier has to be reduced in phase due to Deferred Order Customers internal policy. Nevertheless, the Deferred Order Customers have gradually increased the number of purchase orders of our home telephones products in the third quarter of 2017. Going forward, we expect that the defer of the purchase orders from the Deferred Order Customers to be non-recurring.

Our sales to other European countries (as defined in Note 3 above) decreased by approximately 10.0% from approximately EUR7.3 million for the year ended 31 December 2015 to approximately EUR6.5 million for the year ended 31 December 2016, representing approximately 14.7% and 16.1% of our total sales for the years ended 31 December 2015 and 2016. The decrease in our sales to other European countries was mainly due to the decrease in sales in Italy of approximately EUR0.4 million and decrease in sales in Spain of approximately EUR0.2 million as a result of lower sales volume of home telephone to one of our major customers. Our sales to other European countries remained relatively stable at approximately EUR3.4 million for the six months ended 30 June 2017 as compared to approximately EUR3.1 million for the six months ended 30 June 2016.

We recorded a decrease in sales of our products shipped to Latin American countries (i.e. mainly Mexico and Argentina) of approximately 35.5% from approximately EUR14.5 million for the year ended 31 December 2015 to approximately EUR9.4 million for the year ended 31 December 2016. Our sales to Latin American countries were conducted mainly in USD while the others were in EUR. The decrease in our sales to Latin American countries was mainly due to the decrease in the sales volume of home telephones as a result of (i) the impact of the depreciation of the local currency against US dollars in 2016 as compared to 2015 which the Directors believe affect the purchasing power and desire of our customers in Latin America; and (ii) the decrease in sales orders of our home telephones by the Customer C during the year ended 31 December 2016 through project tendering as mentioned in this section above. Our sales to Latin America remained relatively stable at approximately EUR3.6 million for the six months ended 30 June 2016 and 2017.



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Our sales to APAC/Russia/MEA decreased by approximately 40.8% from approximately EUR5.8 million for the year ended 31 December 2015 to approximately EUR3.5 million for the year ended 31 December 2016. Such decrease was mainly due to the impact of the depreciation of the local currency against US dollars in 2016 as compared to 2015 which the Directors believe affect the purchasing power and desire of our customers in APAC/Russia/MEA.

### Cost of sales

During the Track Record Period, our Group's cost of sales mainly comprised (i) cost of inventories; and (ii) depreciation and amortisation. The following table sets out the breakdown of our Group's cost of sales for the Track Record Period:

	Year ended 31 December		2016		Six months ended 30 June		2017	
	2015	2016	2016	2017	2016	2017	2016	2017
	EUR'000	% of cost of sales	EUR'000	% of cost of sales	EUR'000	% of cost of sales	EUR'000	% of cost of sales
Cost of inventories	35,924	98.3	28,507	98.2	13,039	97.5	12,967	97.1
(Reversal)/provision for inventories	(59)	(0.2)	27	0.1	(58)	(0.4)	(127)	(1.0)
Depreciation and amortisation	380	1.0	312	1.1	163	1.2	141	1.1
Others ( <i>Note</i> )	309	0.9	195	0.6	233	1.7	380	2.8
<b>Total</b>	<b>36,554</b>	<b>100.0</b>	<b>29,041</b>	<b>100.0</b>	<b>13,377</b>	<b>100.0</b>	<b>13,361</b>	<b>100.0</b>

*Note:* Others mainly include rework costs and inspection fees.

During the Track Record Period, the main factor affecting our total cost of sales was cost of inventories, which contributed over 97.0% of the total cost of sales of our Group. The cost of inventories mainly comprises the purchase costs for home telephones, office telephones and other telecommunications products from our suppliers for the manufacturing of our products. Our cost of inventories amounted to approximately EUR35.9 million, EUR28.5 million, EUR13.0 million and EUR13.0 million for each of the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively, representing approximately 98.3%, 98.2%, 97.5% and 97.1% of total cost of sales of our Group for each of the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

Our cost of inventories decreased by approximately 20.6% from approximately EUR35.9 million for the year ended 31 December 2015 to approximately EUR28.5 million for the year ended 31 December 2016. Such decrease was generally in line with the overall decrease in our revenue of approximately 17.8% from approximately EUR49.3 million for the year ended 31 December 2015 to approximately EUR40.6 million for the year ended 31 December 2016. Our cost of inventories remained relatively stable at approximately EUR13.0 million for the six months ended 30 June 2016 and 2017.

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Our depreciation and amortisation represented the depreciation of the manufacturing tools and the amortisation charge of the Licenced Products. Such expense remained relatively stable at approximately EUR0.4 million, EUR0.3 million, EUR0.2 million and EUR0.1 million for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

### Gross profit and gross profit margin

For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, our gross profit amounted to approximately EUR12.8 million, EUR11.5 million, EUR5.2 million and EUR4.9 million, respectively, and our gross profit margin was approximately 25.9%, 28.4%, 28.0% and 26.7%, respectively. The following table sets out the breakdown of our gross profit and gross profit margin by product category for the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
	(Unaudited)							
Home telephones	11,030	25.6	9,776	28.3	4,373	27.7	4,101	26.5
Business telephones	1,559	29.3	1,489	30.5	729	31.1	609	28.1
Others ( <i>Note</i> )	192	22.4	254	23.7	106	25.0	165	26.7
<b>Total</b>	<b>12,781</b>	<b>25.9</b>	<b>11,519</b>	<b>28.4</b>	<b>5,208</b>	<b>28.0</b>	<b>4,875</b>	<b>26.7</b>

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

Our overall gross profit decreased by approximately EUR1.3 million, or approximately 9.9%, from approximately EUR12.8 million for the year ended 31 December 2015 to approximately EUR11.5 million for the year ended 31 December 2016, and our overall gross profit margin increased from approximately 25.9% for the year ended 31 December 2015 to approximately 28.4% for the year ended 31 December 2016. Such increase in gross profit margin was mainly due to the general decrease in the costs of raw materials used for home and business telephones manufacturing (which in turn lower our cost of inventories) of approximately 20.6% outweighed the decrease in average selling price of our home and office telephones for the year ended 31 December 2016 of approximately 1.4% and 2.0% respectively, the effect of which was mitigated by the decrease in average selling price of other products by approximately 39.8% in 2016. For the six months ended 30 June 2016 and 2017, we recorded gross profit of approximately EUR5.2 million and EUR4.9 million, representing gross profit margin of approximately 28.0% and 26.7% for the corresponding periods, respectively.

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The gross profit margin of home telephones increased from approximately 25.6% for the year ended 31 December 2015 to approximately 28.3% for the year ended 31 December 2016, which was primarily attributable to (i) the general decrease in the costs of raw materials used for home telephones manufacturing as discussed above; and (ii) the increased sales of our home telephone product models with higher gross margin to Customer B during the year ended 31 December 2016. The gross profit margin of home telephones remained relatively stable at approximately 27.7% and 26.5% for the six months ended 30 June 2016 and 2017, respectively.

The gross profit margin of business telephones remained relatively stable at approximately 29.3% and 30.5% for the years ended 31 December 2015 and 2016, respectively. The gross profit margin of business telephones decreased from approximately 31.1% for the six months ended 30 June 2016 to approximately 28.1% for the six months ended 30 June 2017, which was mainly due to the fluctuation in the exchange rates between USD and Euros during the periods in which the Euros depreciation against USD from EUR1.00:USD1.087 as at 1 January 2016 to EUR1.00:USD1.110 as at 30 June 2016 with an average exchange rate of EUR1.00:USD1.116 during the six months ended 30 June 2016, whereas the Euros depreciation against USD from EUR1.00:USD1.052 as at 1 January 2017 to EUR1.00:USD1.142 as at 30 June 2017 with an average exchange rate of EUR1.00:USD1.083 during the six months ended 30 June 2017, representing a depreciation of the average exchange rate (Euros against USD) of approximately 3.0%. Given that our purchase and costs of inventories were mainly denominated in USD while a substantial portion of our revenue was denominated in Euros, such impact of depreciation of Euros against US dollars implied the increase of our purchase costs and hence reduced our gross profit margin as we were unable to transfer the increased cost to our customers in a short period of time for the six months ended 30 June 2017.

The gross profit margin of other products remained relatively stable at 22.4% and 23.7% for the two years ended 31 December 2016, respectively; and at approximately 25.0% and 26.7% for the six months ended 30 June 2017, respectively.

### Other income

The following table sets out the breakdown of our Group's net other income for the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
			(Unaudited)	
Compensation from a distributor for missing sale target	214	153	35	43
Others ( <i>Note</i> )	40	51	–	27
<b>Total</b>	<b>254</b>	<b>204</b>	<b>35</b>	<b>70</b>

*Note:* Others mainly represent the royalty income received from one of our major suppliers.

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Compensation from a distributor for missing sale target represented the consideration from one of our distributors in the PRC (the “**PRC Distributor**”) who has undertaken the sales target with our Group. During the Track Record Period, our Group has signed an agreement with the PRC Distributor in which our Group offered an exclusive right to the PRC Distributor to wholesale our other products in the PRC and in return, the PRC Distributor will compensate our Group certain portion of the shortfall of the agreed sales target amount. The compensation from the PRC Distributor remained relatively stable at approximately EUR0.2 million for the two years ended 31 December 2015 and 2016.

For the six months ended 30 June 2016 and 2017, the compensation from the PRC Distributor for missing sale target remained relatively stable at approximately EUR35,000 and EUR43,000, respectively.

### **Other gain/(loss)**

#### *Exchange difference*

Owing to the fluctuation of the exchange rate, our Group recorded net exchange gains of approximately EUR0.4 million, EUR92,000 and EUR0.5 million for the year ended 31 December 2015 and the six months ended 30 June 2016 and 2017, respectively and net exchange losses of approximately EUR0.2 million for the year ended 31 December 2016.

#### *Fair value changes on derivative financial instruments*

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. The gain or loss on fair value changes is recognised in profit or loss within ‘other gains/(losses).

We generate a notable portion of our Group’s revenue and receivables in EUR and our cost of inventories and payables denominated in USD. As the fluctuation of USD against Euros will impact our Group operation, we entered into foreign exchange currency forward contracts in respect of Euros against USD with one of our principal banks with a view to manage our exchange rate exposure.

Fair value changes on derivative financial instruments were recorded based on valuation reports issued by banks using commonly accepted methodology to calculate the fair value of derivative financial instruments at the valuation date. As derivative financial instruments are required to be re-measured at their fair value at the end of each financial year or a specific period, during the Track Record Period, we recognised loss on fair value changes of approximately EUR0.6 million and EUR0.6 million for the year ended 31 December 2015 and the six months ended 30 June 2017, respectively, due to the higher forward contract rate of USD against Euros as compared to the spot rate as at the period end. On the other hand, we recognised gain on fair value changes of approximately EUR0.3 million and EUR0.3 million for the year ended 31 December 2016 and the six months ended 30 June 2016, respectively, due to the lower forward contract rate as compared to the spot rate as at the period end.

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### *Non-application of hedge accounting (HKAS 39)*

According to HKAS 39, hedge relationships qualify for hedge accounting only if all of the following conditions are met: (i) there is formal designation and documentation of the hedge relationship and the entity's risk management objective and strategy for undertaking the hedge at the inception of the hedge; (ii) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedge relationship; (iii) a forecast transaction that is the subject of a cash flow hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; (iv) the effectiveness of the hedge can be reliably measured, that is, the hedged item's fair value or cash flows that are attributable to the hedged risk and the hedged instrument's fair value can be reliably measured; and (v) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The criteria for hedge accounting as set out above are onerous and much of the burden and costs associated with hedge accounting arises from ascertaining the effectiveness of a hedge. Our Group did not prepare the formal designation and documentation for the hedge relationship required under condition (i) of HKAS 39 nor take all necessary steps to fulfil conditions (ii) to (v). As the other conditions (i.e. conditions (ii) to (v)) are based on the assessment and evaluation of the formal designation and documentation undertaken for the hedge, the derivative financial instruments entered into by our Group did not therefore qualify for any of the conditions above. Since the derivative financial instruments (whether or not for foreign exchange hedge purpose) entered into by our Group during the Track Record Period did not qualify and were not designated as hedge instruments under HKAS 39, the change in the fair value of such derivative financial instruments at each financial year end is recognised in profit or loss within other gains/(losses).

### **Selling and distribution expenses**

During the Track Record Period, our Group's selling and distribution expenses amounted to approximately EUR4.0 million, EUR3.2 million, EUR1.7 million and EUR1.5 million for the two years ended 31 December 2016 and the six months ended 30 June 2016 and 2017, respectively, representing approximately 8.0%, 8.0%, 9.3% and 8.0% of our Group's total revenue for the corresponding years/periods. Our Group's selling and distribution expenses mainly included (i) freight and transportation which are charged by logistics companies for delivery of our products from warehouse to our customers' designated point and loading charges and declaration charges; (ii) advertising and marketing expense; (iii) commission fee paid to the sales agents; (iv) storage fee; and (v) employee benefit expenses.

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The following table sets forth the breakdown of selling and distribution expenses of our Group during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
	(Unaudited)							
Freight and transportation	896	22.6	761	23.5	394	22.7	376	25.9
Advertising and marketing expense	682	17.2	625	19.3	315	18.1	180	12.4
Commission fee	690	17.4	573	17.7	254	14.6	276	19.0
Storage fee	520	13.1	488	15.1	244	14.0	232	16.0
Employee benefit expenses	404	10.2	332	10.2	185	10.6	148	10.2
Provision for product warranty, net	257	6.5	79	2.4	87	5.0	73	5.0
Others	512	13.0	383	11.8	259	15.0	168	11.5
<b>Total</b>	<b>3,961</b>	<b>100.0</b>	<b>3,241</b>	<b>100.0</b>	<b>1,738</b>	<b>100.0</b>	<b>1,453</b>	<b>100.0</b>

Our selling and distribution expenses decreased by approximately EUR0.8 million or 18.2% from approximately EUR4.0 million for the year ended 31 December 2015 to approximately EUR3.2 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in the freight and transportation fees, provision for product warranty and commission fee of approximately EUR0.1 million, EUR0.2 million and EUR0.1 million in 2015, respectively, which was generally in line with our decrease in sales by approximately 17.8% during the year ended 31 December 2016 as compared to the same period in 2015. Our selling and distribution expenses decreased from approximately EUR1.7 million for the six months ended 30 June 2016 to approximately EUR1.5 million for the six months ended 30 June 2017, which is mainly due to the decrease in the advertising and marketing fee of approximately EUR0.1 million.

## FINANCIAL INFORMATION

### Administrative expenses

During the Track Record Period, our Group recorded administrative expenses of approximately EUR6.8 million, EUR6.4 million, EUR3.3 million and EUR3.2 million for the two years ended 31 December 2016 and the six months ended 30 June 2016 and 2017, respectively. The following table sets out the breakdown of administrative expenses of our Group during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
	(Unaudited)							
Employee benefit expenses	3,188	46.7	3,194	49.7	1,639	49.9	1,542	48.2
Directors' emoluments	1,060	15.5	946	14.7	480	14.6	501	15.7
Operating lease expenses	376	5.5	309	4.8	147	4.5	165	5.2
Legal and professional fee	146	2.1	215	3.3	54	1.6	84	2.6
Bank charges	153	2.2	159	2.5	183	5.6	174	5.4
Travelling and entertainment	315	4.6	306	4.8	155	4.7	140	4.4
Insurance expenses	264	3.9	217	3.4	88	2.7	89	2.8
Engineering fee	201	2.9	116	1.8	45	1.4	39	1.2
Provision/(reversal) for bad debt	131	1.9	(21)	(0.3)	–	–	89	2.8
Internal support charge	261	3.8	162	2.5	76	2.3	67	2.1
Depreciation and amortization	96	1.4	92	1.4	50	1.5	27	0.8
Others	635	9.5	728	11.4	369	11.2	283	8.8
<b>Total</b>	<b>6,826</b>	<b>100.0</b>	<b>6,423</b>	<b>100.0</b>	<b>3,286</b>	<b>100.0</b>	<b>3,200</b>	<b>100.0</b>

Our administrative expenses slightly decreased by EUR0.4 million or approximately 5.9% from approximately EUR6.8 million for the year ended 31 December 2015 to approximately EUR6.4 million for the year ended 31 December 2016. Such decrease was primarily attributable to (i) the decrease in our Directors' emoluments as a result of the decrease in payment of discretionary bonuses to our Directors of approximately EUR0.1 million; (ii) the decrease of provision for bad debt of approximately EUR0.1 million; and (iii) the decrease in internal support charge of approximately EUR0.1 million. Our administrative expenses remained relatively stable at approximately EUR3.3 million for the six months ended 30 June 2016 as compared to approximately EUR3.2 million for the six months ended 30 June 2017.

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## FINANCIAL INFORMATION

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### Finance costs, net

Our Group's finance costs, net, mainly represented the interest expenses on bank borrowings, interest expenses on factoring, interest expense on loans from our Shareholders and interest accretion on license fee payables. The following table sets out the breakdown of our net finance costs for the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
			(Unaudited)	
<b>Finance income</b>				
Bank interest income	744	1,067	494	558
<b>Finance costs</b>				
Interest expenses				
on factoring	119,833	120,724	58,841	68,503
Interest expense				
on bank borrowings	36,749	25,640	6,014	28,223
Interest expense on				
retirement benefit				
obligations	4,399	5,779	2,890	2,082
Interest expense				
on loans from our				
Shareholders	–	6,022	–	23,966
Interest accretion on license				
fee payables	175,994	165,571	84,118	78,726
	<u>336,975</u>	<u>323,736</u>	<u>151,863</u>	<u>201,500</u>
<b>Finance costs, net</b>	<u><u>336,231</u></u>	<u><u>322,669</u></u>	<u><u>151,369</u></u>	<u><u>200,942</u></u>

Our Group's financial costs, net mainly represented the net of finance income and the respective finance costs. For the years ended 31 December 2015 and 2016, the finance costs, net remained relative stable at approximately EUR336,000 and EUR323,000, respectively.

For the six months ended 30 June 2016 and 2017, the finance cost, net increased from approximately EUR151,000 to EUR201,000 mainly due to (i) the interest expense paid to our Shareholders in relation to the loans from Shareholders of approximately EUR1.0 million which was primarily for the acquisition of Swissvoice brand in November 2016; and (ii) the increase in the interest expenses on bank borrowings of approximately EUR22,000.

The loans from Shareholders will be settled on or around 5 January 2018.



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### Income tax expenses

Our Group's operations are based in Hong Kong, the PRC and France and we are subject to Hong Kong profits tax, the PRC enterprise income tax and France corporate income tax at a rate of 16.5%, 25.0% and 33.3%, respectively, for the years ended 31 December 2015 and 2016 and a rate of 16.5%, 25.0% and 28.0% for the six months ended 30 June 2017 during the Track Record Period.

Our Group recorded income tax expenses of approximately EUR0.3 million and EUR0.5 million for the two years ended 31 December 2015 and 2016, representing an effective tax rate of approximately 20.1% and 25.2%, respectively. Such increase was mainly due to the increase in the taxable income from the Group's operation in France which is subject to higher income tax rate.

Our income tax expenses were approximately EUR0.2 million for the six month ended 30 June 2016, representing an effective tax rate of approximately 18.4% and our income tax credit for the six months ended 30 June 2017 was approximately EUR0.2 million. Our Group recorded income tax credit was mainly due to the recognition of deferred tax assets in respect of tax losses carried forward in the period.

### LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the years ending 31 December 2017 and 2018 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$24.6 million (based on the mid-point of the indicative Offer Price range of HK\$0.7 per Share and 100,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately HK\$9.2 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.4 million is expected to be recognized as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately HK\$4.1 million had been recognized for the six months ended 30 June 2017 and the remaining of approximately HK\$1.3 million is expected to be recognized for the remaining period of the year ending 31 December 2017 and 2018.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognized in the combined financial statements of our Group for the year ending 31 December 2017 and 2018 are subject to adjustment based on audit and the then changes in variables and assumptions.

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## FINANCIAL INFORMATION

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Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure requirements. Our working capital needs and capital expenditure requirements have been financed through a combination of funds generated from operations and financing mainly comprised bank borrowings, loans from Shareholders and factoring loans. Going forward, we expect to fund our working capital, capital expenditures and other capital requirements with a combination of various sources, including but not limited to cash generated from our operations, borrowings, the net proceeds from the Share Offer as well as other external equity and debt financing when the needs come.

#### Cash flows

The following table sets out a condensed summary of our Group's combined statements of cash flows for the Track Record Period. Such summary of the combined statements of cash flows is extracted from the Accountant's Report contained in Appendix I to this prospectus.

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
			(Unaudited)	
Net cash flows				
(used in)/generated from				
operating activities	166	2,280	1,438	(1,148)
Net cash flows used in				
investing activities	(185)	(1,425)	(67)	(7)
Net cash flows used in				
financing activities	(1,298)	(513)	(2,752)	(1,792)
Net (decrease)/increase in cash				
and cash equivalents	(1,317)	342	(1,381)	(2,947)
Cash and cash equivalents at				
beginning of the year/period	6,230	5,507	5,507	5,992
Effect of foreign exchange rate				
change	594	143	(139)	(170)
	<u>5,507</u>	<u>5,992</u>	<u>3,987</u>	<u>2,875</u>
<b>Cash and cash equivalents at</b>				
<b>    end of the year/period</b>	<b><u>5,507</u></b>	<b><u>5,992</u></b>	<b><u>3,987</u></b>	<b><u>2,875</u></b>

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### **Net cash (used in)/generated from operating activities**

For the year ended 31 December 2015, our Group recorded a net cash generated from operating activities of approximately EUR0.2 million which was primarily reflected from our profit before tax of approximately EUR1.7 million, as positively adjusted by adding back the non-cash depreciation of property, plant and equipment and gain on derivative financial instruments of approximately EUR0.2 million and EUR0.6 million respectively and offset by (i) the decrease in trade receivables of approximately EUR1.8 million; and (ii) the increase in inventories of approximately EUR0.7 million purchased for meeting customer orders as at 31 December 2015.

For the year ended 31 December 2016, our Group recorded a net cash generated from operating activities of approximately EUR2.3 million which was primarily reflected our profit before tax of approximately EUR1.9 million, as positively adjusted by (i) the decrease in trade receivables of approximately EUR1.7 million mainly due to less sales in the last two months of financial year 2016 as compared to that for the financial year 2015; and (ii) the increase in trade payables of approximately EUR0.5 million. Such effect was partially mitigated by (i) the decrease in accruals, provision and other payables of approximately EUR1.3 million due to the decrease in our accrued staff costs and marketing expenses; (ii) the increase in inventories of approximately EUR0.4 million purchased for meeting customer orders as of 31 December 2016; and (iii) the increase in the prepayment, deposits and other receivables of approximately EUR0.3 million.

For the six months ended 30 June 2017, our Group recorded a net cash used in operating activities of approximately EUR1.1 million as compared to net cash inflow of approximately EUR1.4 million for the six months ended 30 June 2016 which was primarily reflected from our loss before tax of approximately EUR0.5 million, as positively adjusted by (i) the decrease in inventories of approximately EUR1.1 million as a result of the shipment of finished goods to customers before the period-end date; and (ii) the decrease in trade receivables of approximately EUR0.7 million mainly due to the decrease in sales in France. Such effect was partially offset with the decrease in trade payables of approximately EUR2.4 million as a result of the decrease in purchase and settlement of trade payables during the six months ended 30 June 2017.

### **Net cash used in investing activities**

For the year ended 31 December 2015, our Group recorded a net cash used in investing activities of approximately EUR0.2 million which was mainly due to cash used for purchase of equipment in the amount of approximately EUR0.2 million for replacement of obsolete equipment.

For the year ended 31 December 2016, our Group recorded a net cash used in the investing activities of approximately EUR1.4 million which was mainly attributable to cash used for purchase of intangible asset after the acquisition of Swissvoice brand of approximately EUR1.2 million and purchase of equipment in the amount of EUR0.2 million for replacement of obsolete equipment.

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For the six months ended 30 June 2017, our Group recorded a net cash used in the investing activities of approximately EUR7,500 which was primarily due to the purchase of equipment.

### **Net cash used in financing activities**

For the year ended 31 December 2015, our Group recorded a net cash used in financing activities of approximately EUR1.3 million which was mainly due to (i) net repayment of bank borrowings of approximately EUR0.2 million; and (ii) payment of dividend of approximately EUR1.0 million.

For the year ended 31 December 2016, our Group recorded a net cash used in the financing activities of approximately EUR0.5 million which was mainly attributable to (i) the payment of dividend of approximately EUR1.0 million; and (ii) the deposit pledged for the bank loans of approximately EUR0.6 million.

For the six months ended 30 June 2017, our Group recorded a net cash used in the financing activities of approximately EUR1.8 million which was primarily due to the net repayment of bank borrowings of approximately EUR1.6 million, such effect was partially mitigated by the release of pledged bank deposits of approximately EUR0.2 million.

### **WORKING CAPITAL**

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash generated from our operations, advances from our Shareholders and proceeds from bank borrowings and factoring loans. After taking into account the cash flows from the operating activities and the existing financial resources available to our Group as follows:

- the amount of cash flows generated from operating activities of our Group during the Track Record Period;
- our cash and cash equivalents on hand of approximately EUR2.9 million as at 30 June 2017 and approximately EUR3.4 million as at 30 November 2017 based on our unaudited combined management accounts;
- the unutilised banking facilities of approximately EUR7.2 million as at 31 October 2017, being the indebtedness date; and
- the estimated net proceeds from the Share Offer of approximately HK\$45.4 million assuming an Offer Price of HK\$0.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share and HK\$0.90 per Offer Share) to be received by our Group,

Our Directors are of the opinion that, taking into account the net proceeds from the Share Offer, our internal generated resources and available banking facilities, our Group has sufficient working capital to meet our present requirements for a least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

As at 31 December 2015, 31 December 2016, 30 June 2017 and 30 November 2017, our Group had net current assets of approximately EUR5.4 million, EUR5.9 million, EUR5.3 million and EUR5.2 million, respectively. Details of the components are set out as follows:

	As at 31 December		As at	As at
	2015	2016	30 June 2017	30 November 2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i> (Unaudited)
<b>Current assets</b>				
Inventories	6,567	6,962	5,929	5,789
Deferred income tax assets	3	28	91	–
Derivatives financial instruments	39	370	–	–
Trade receivables	12,298	10,906	9,585	11,700
Prepayments, deposits and other receivables	590	916	1,098	556
Current income tax recoverable	224	36	82	44
Pledged bank deposits	1,671	2,328	2,051	2,153
Cash and cash equivalents	5,507	5,992	2,875	3,372
	<u>26,899</u>	<u>27,538</u>	<u>21,711</u>	<u>23,614</u>
<b>Current liabilities</b>				
Trade payables	6,239	6,954	4,182	4,148
Deferred income tax liabilities	15	133	44	44
Accruals, provision and other payables	6,689	5,670	4,746	4,115
Loans from related parties	–	989	985	994
Derivatives financial instruments	–	–	213	81
Dividend payable	1,500	–	–	–
Income tax payable	195	176	207	102
Borrowings	6,840	7,682	6,026	8,910
	<u>21,478</u>	<u>21,604</u>	<u>16,403</u>	<u>18,394</u>
<b>Net current assets</b>	<u><u>5,421</u></u>	<u><u>5,934</u></u>	<u><u>5,308</u></u>	<u><u>5,220</u></u>

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Our current assets as at 31 December 2015, 31 December 2016, 30 June 2017 and 30 November 2017 amounted to approximately EUR26.9 million, EUR27.5 million, EUR21.7 million and EUR23.6 million, respectively, with inventories, trade receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents being the major components. Our current liabilities as at 31 December 2015, 31 December 2016, 30 June 2017 and 30 November 2017 amounted to approximately EUR21.5 million, EUR21.6 million, EUR16.4 million and EUR18.4 million, respectively, with trade payables, accruals, provision and other payables and borrowings being the major components.

Our net current assets position increased by approximately EUR0.5 million from approximately EUR5.4 million as at 31 December 2015 to approximately EUR5.9 million as at 31 December 2016. Such increase was mainly attributable to the combined effect of (i) the increase in cash and cash equivalents of approximately EUR0.5 million; (ii) the decrease in dividend payable of approximately EUR1.5 million; and (iii) the decrease in trade receivables of approximately EUR1.4 million.

Our net current assets position decreased by approximately EUR0.6 million from approximately EUR5.9 million as at 31 December 2016 to approximately EUR5.3 million as at 30 June 2017. Such decrease was mainly due to the combined effect of (i) the decrease in the cash and cash equivalents of approximately EUR3.1 million; (ii) the decrease in trade receivables of approximately EUR1.3 million; and (iii) the decrease in inventory of approximately EUR1.0 million. Such effect was partially mitigated by the decrease in trade payables of approximately EUR2.8 million and the decrease in borrowings of approximately EUR1.7 million.

Based on our unaudited combined management accounts, our net current assets remained relatively stable at approximately EUR5.2 million as at 30 November 2017.

### **DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION**

#### **Intangible asset**

As at 31 December 2016, our Group had intangible asset of approximately EUR4.2 million, which represented (i) the licensing right of using the Licensed Marks; and (ii) the rights, titles and interests in the trademarks, industrial designs patent and domain names acquired after the acquisition of Swissvoice brand and its assets from an Independent Third Party in November 2016. As at 30 June 2017, the intangible asset remained stable at approximately EUR4.0 million. For details regarding our accounting policy relating to intangible assets, please see note 2.6 to the Accountant's Report.

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### Inventories

During the Track Record Period, our inventories mainly comprised our home telephones, office telephones and other products such as IP conference devices, IP cameras and monitoring products. As at 31 December 2015, 31 December 2016 and 30 June 2017, our Group had inventories of approximately EUR6.6 million, EUR7.0 million and EUR5.9 million, respectively.

Our Group's inventories slightly increased from approximately EUR6.6 million as at 31 December 2015 to approximately EUR7.0 million as at 31 December 2016, primarily due to an increase in our telecommunications products purchased to meet existing orders and orders which were pending to be shipped shortly after the year end day.

Our Group's inventories decreased from approximately EUR7.0 million as at 31 December 2016 to approximately EUR5.9 million as at 30 June 2017, which was mainly due to the shipment of our home telephones of approximately EUR1.0 million to one of our customers in Mexico towards the period end which has been stored in our warehouse.

As at the Latest Practicable Date, approximately EUR4.7 million or 79.2% of our inventories as of 30 June 2017 were subsequently sold.

The following table sets out the inventory turnover days for the Track Record Period:

	Year ended 31 December		Six months ended
	2015	2016	30 June 2017
	Days	Days	Days
Inventory turnover days ( <i>note</i> )	<u>62.5</u>	<u>86.6</u>	<u>90.0</u>

*Note:* Inventory turnover days are calculated by dividing the average inventories balance by cost of inventories for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for the years ended 31 December 2015 and 2016 and 181 days for the six months ended 30 June 2017). Average inventories balance is the average of the beginning and ending inventories balances for the relevant year/period.

Our inventory turnover days were approximately 62.5 days, 86.6 days and 90.0 days, respectively, for the two years ended 31 December 2015, 31 December 2016 and the six months ended 30 June 2017. The longer inventory turnover days for the year ended 31 December 2016 as compared to the year ended 31 December 2015 was mainly due to the fact that our Group maintains a high level of inventories at all times mainly in Europe so that we could deliver our products to customers within a short period, in particular for our major telecom operators and large customer retail chain stores customers in Europe, save for the project tendering in 2015 we received from the Customer C where the orders from such project tendering were regarded as back to back orders (i.e. our manufacturing subcontractors delivered the finished goods

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directly to Customer C and hence no inventory were required to stock up in our warehouse) and as a result the inventory turnover days is lower for the year ended 31 December 2015 as compared to that for the year ended 31 December 2016.

### **Trade receivables**

Our trade receivables primarily consist of trade receivables arising from sales of products to our customers.

We generally grant a credit period ranging from 30 to 90 days to our customers. As at 31 December 2015, 31 December 2016 and 30 June 2017, trade receivables of our Group amounted to approximately EUR12.3 million, EUR10.9 million and EUR9.6 million, respectively.

Our trade receivables decreased by approximately EUR1.4 million, from approximately EUR12.3 million as at 31 December 2015 to approximately EUR10.9 million as at 31 December 2016. Such decrease was mainly due to our total sales for the last two months of financial year 2016 was less than that for the financial year 2015. Our trade receivables balance remains relatively stable at approximately EUR9.6 million as at 30 June 2017.

In order to enhance our Group's working capital management, our Group had factored trade receivables of our customers to the banks for the arrangement of settlement of trade receivables during the Track Record Period. Our Group had factored trade receivables with a total carrying amount of approximately EUR6.8 million and EUR6.7 million as at 31 December 2015 and 2016 and approximately EUR5.1 million as at 30 June 2017. As our Group retained the risks and rewards associated with the default and delay in payment by the debtors, the advances from the factoring of the trade receivables were recognised as our Group's liabilities during the Track Record Period.

Furthermore, for better trade receivable management, our Group has placed credit insurance on our trade receivables which could cover up to 90% of the amount of the trade receivables claimed in case of default in payment by our customers. During the Track Record Period, we had filed three credit insurance claims for our overdue trade receivables with an aggregate amount of approximately EUR1.0 million and all credit insurance claims are expected to be received in December 2017. Nevertheless, our Group would still make provision on a portion of the abovementioned overdue trade receivables based on our assessments of collectability and aging analysis of the receivables. Provisions would apply to the receivables when there are events or changes in circumstances which indicates that the balances may not be collectible. As at 31 December 2015, 31 December 2016 and 30 June 2017, our provision for impairment of trade receivables was approximately EUR0.1 million, EUR21,000 and EUR0.1 million, respectively.



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The following table sets out an ageing analysis of our Group's trade receivables based on the invoice date as at the end of each year/period of the Track Record Period:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<b>2017</b>
1 to 30 days	6,613	6,824	7,273
31 to 60 days	2,535	546	1,123
61 to 90 days	1,469	2,814	362
More than 90 days	1,681	722	827
<b>Total</b>	<u>12,298</u>	<u>10,906</u>	<u>9,585</u>

The following table sets out an ageing analysis of our Group's trade receivables based on the due date as at the end of each year/period of the Track Record Period:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<b>2017</b>
1 to 30 days	594	2,337	775
31 to 60 days	537	296	1
61 to 90 days	1	49	158
More than 90 days	6	30	643
<b>Total</b>	<u>1,138</u>	<u>2,712</u>	<u>1,577</u>

As at 31 December 2015, 31 December 2016 and 30 June 2017, our trade receivables which were considered past due but not impaired were approximately EUR1.1 million, EUR2.7 million and EUR1.6 million, of which approximately EUR6,000, EUR30,000 and EUR0.6 million or approximately 0.5%, 1.1% and 40.8% were past due more than 90 days, respectively. The increase in our trade receivable balance aged more than 90 days as at 30 June 2017 as compared to the balance as at 31 December 2016 were mainly due to the overdue balance of approximately EUR0.6 million from one of our customers in Latin America (the "**Latin American Customer**"). As we consider that the likelihood of collecting such overdue receivables was low, we had filed a credit insurance claim on such overdue balance of the Latin American Customer and we expect that our Group is able to receive 90% of the overdue balance in December 2017. Given that we may not be able to receive the remaining 10% settlement of the overdue amount from the Latin American Customer, we consider it is reasonable to make impairment on such overdue amount for the six months ended 30 June 2017.

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As at the Latest Practicable Date, approximately EUR7.3 million or 76.2% of our Group's trade receivables as at 30 June 2017 were subsequently settled.

The following table sets out the trade receivable turnover days of our Group for the Track Record Period:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days <i>(note)</i>	<u>82.2</u>	<u>104.4</u>	<u>101.7</u>

*Note:* Trade receivable turnover days are calculated by dividing the average trade receivable balance by sales amount for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for the years ended 31 December 2015 and 2016 and 181 days for the six months ended 30 June 2017). Average trade receivable balance is the average of the beginning and ending trade receivable balances for the relevant year/period.

The Group's trade receivable turnover days increased from approximately 82.2 days for the year ended 31 December 2015 to approximately 104.4 days for the year ended 31 December 2016. The higher trade receivable turnover days for the year ended 31 December 2016 was mainly due to the increase in the overdue balance. The trade receivable turnover days of the Group for the six months ended 30 June 2017 was approximately 101.7 days which is considered stable as compared to that for the year ended 31 December 2016. The turnover days was continued to be affected by the overdue balance of the Latin America customer which the Group has filed credit insurance claim on the overdue balance and the management expect to recover 90% of the overdue balance.

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### Prepayments, deposits and other receivables

As at 31 December 2015, 31 December 2016 and 30 June 2017, our Group had current portion of prepayments, deposits and other receivables of approximately EUR0.6 million, EUR0.9 million and EUR1.1 million respectively, which mainly represented prepayments to suppliers for the purchase of the telecommunications products, prepayments for Listing expenses, utilities and rental deposits and VAT receivables. The following table sets out a breakdown of the current portion of prepayments, deposits and other receivables of our Group as at 31 December 2015, 31 December 2016 and 30 June 2017:

	As at 31 December		As at
	2015	2016	30 June
	EUR'000	EUR'000	2017
			EUR'000
Prepayments	209	118	297
Prepayments for Listing expenses	–	–	157
Deposits	44	48	96
Other receivables	337	751	547
	<u>590</u>	<u>917</u>	<u>1,097</u>
<b>Total</b>	<b>590</b>	<b>917</b>	<b>1,097</b>

Our prepayments, deposits and other receivables increased from approximately EUR0.6 million as at 31 December 2015 to approximately EUR0.9 million as at 31 December 2016 mainly attributable to the increase in the proceeds receivables from bank factoring of trade receivable.

Our prepayments, deposits and other receivables further increased from approximately EUR0.9 million as at 31 December 2016 to approximately EUR1.1 million as at 30 June 2017 and was mainly attributable to the prepayments of Listing expenses of approximately EUR0.2 million as at 30 June 2017.

### Trade payables

Our Group's trade payables mainly represented trade payables for purchases with our third-party manufacturers and suppliers. Payment terms granted by our major suppliers generally range from 45 to 80 days.

Our trade payables increased from approximately EUR6.2 million as at 31 December 2015 to approximately EUR7.0 million as at 31 December 2016 mainly due to more purchases made by the Group towards the year ended 31 December 2016 to increase the level of inventories in anticipation of most of our suppliers' business in the PRC were closed in January 2017 due to the long holiday period during the Chinese New Year holidays in the PRC.

## FINANCIAL INFORMATION

Our trade payables decreased from approximately EUR7.0 million as at 31 December 2016 to approximately EUR4.2 million as at 30 June 2017 mainly due to the settlement we made to our suppliers during the six months ended 30 June 2017.

The following table sets out an ageing analysis of our Group's trade payables based on the invoice date as at the end of each year/period of the Track Record Period:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>2017</i>
			<i>EUR'000</i>
0 to 30 days	2,448	2,591	1,753
31 to 60 days	1,892	2,079	1,904
61 to 90 days	1,866	2,285	525
91 to 120 days	33	–	–
<b>Total</b>	<b>6,239</b>	<b>6,955</b>	<b>4,182</b>

As at the Latest Practicable Date, all of our Group's trade payables as at 30 June 2017 were subsequently settled.

The following table sets out the trade payable turnover days of our Group for the Track Record Period:

	<b>Year ended 31 December</b>		<b>Six months</b>
	<b>2015</b>	<b>2016</b>	<b>ended</b>
	<i>Days</i>	<i>Days</i>	<b>30 June</b>
			<b>2017</b>
			<i>Days</i>
Trade payable turnover days (note)	58.7	82.9	75.4

*Note:* Trade payable turnover days are calculated by dividing the average trade payable balance by cost of sales for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for the years ended 31 December 2015 and 2016 and 181 days for the six months ended 30 June 2017). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant year/period.

Our trade payable turnover days increased from approximately 58.7 days to approximately 82.9 days for the year ended 31 December 2016, primarily due to the high balance of trade payables as at 31 December 2016, which was in turn mainly due to more purchase made by the Group towards the year ended 31 December 2016 as mentioned above.

Our trade payable turnover days remains relatively stable from approximately 82.9 days for the year ended 31 December 2016 to approximately 75.4 days for the six months ended 30 June 2017.

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## FINANCIAL INFORMATION

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Our Directors confirm that our Group did not have any material default in payment of trade payable during the Track Record Period.

### Accruals, provision and other payables

Our accruals, provision and other payables represented the accruals for professional fee in respect of the Listing, accruals for operating expenses, accruals of sales rebate, license fee payable, other payables for operating expenses as well as provision for warranty. The following table sets out a breakdown of accruals, provision and other payables of our Group as at 31 December 2015, 31 December 2016 and 30 June 2017:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Accruals for professional fee	–	–	159
Accruals for operating expenses	3,276	2,809	2,500
Accruals of sales rebate	1,761	1,433	735
License fee payable	3,769	3,483	3,472
Other payables	845	675	508
Provision	461	448	423
	<hr/>	<hr/>	<hr/>
	10,112	8,848	7,797
Less: non-current payable	<u>(3,423)</u>	<u>(3,177)</u>	<u>(3,051)</u>
Current portion	<u>6,689</u>	<u>5,671</u>	<u>4,746</u>

Our accruals, provision and other payables decreased from approximately EUR10.1 million as at 31 December 2015 to approximately EUR8.8 million as at 31 December 2016 mainly attributable to the decrease in accruals for operating expenses of approximately EUR0.5 million as a result of the decrease of our accrued staff cost and marketing expenses, the decrease in accruals of sales rebate to our distributors of approximately EUR0.3 million which was generally in line with our decrease in sales during the year ended 31 December 2016 and the decrease in license fee payable of approximately EUR0.3 million due to the payment of the minimum license fee payable to Licensor for the right to use the Licensed Marks for the license period up to 31 December 2027.

Our accruals, provision and other payables further decreased from approximately EUR8.8 million as at 31 December 2016 to approximately EUR7.8 million as at 30 June 2017 mainly attributable to the decrease in the accruals of sales rebate of approximately EUR0.7 million mainly due to the decrease in our revenue for the six months ended 30 June 2017.

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## FINANCIAL INFORMATION

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### Loans from related parties

For the details of amount due to related parties, please refer to “– Description and analysis of principal items in the combined statements of financial position – Indebtedness – Loans from Shareholders” set out in this section.

### INDEBTEDNESS

During the Track Record Period, our Group’s indebtedness mainly included (i) bank borrowings; (ii) factoring loans; and (iii) loans from Shareholders.

### Borrowings

During the Track Record Period, we used bank loans to manage our working capital requirements. As at 31 December 2015, 31 December 2016 and 30 June 2017, we had total banking facilities of approximately EUR12.0 million, EUR11.6 million and EUR9.2 million, respectively, of which approximately EUR6.8 million, EUR7.7 million and EUR6.0 million, respectively were utilised and the remaining banking facilities of approximately EUR5.2 million, EUR3.9 million and EUR3.2 million were not utilised respectively. The borrowings were interest bearing. As of 31 December 2015, 31 December 2016 and 30 June 2017, the effective interest rates per annum of our Group’s borrowings were approximately 1.0%, 1.2% and 1.8%, respectively.

The banking facilities and the borrowings thereunder are secured by (i) pledged of bank deposits held by our Group; (ii) our trade receivables; and (iii) corporate guarantee provided by ATL Holdings. The table below sets forth the breakdown of our total borrowings as of the dates indicated:

	As at 31 December		As at
	2015	2016	30 June
	EUR’000	EUR’000	2017
			EUR’000
			(Unaudited)
Factoring loans	6,840	6,682	5,058
Bank borrowings	–	1,000	968
<b>Total</b>	<b>6,840</b>	<b>7,682</b>	<b>6,026</b>

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## FINANCIAL INFORMATION

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### Factoring loans

Factoring loans represented the advance from the factored trade receivables of our customers to the banks for the arrangement of settlement of trade receivables. As our Group still retained risks and rewards associated with the default and delay in payment by the debtors, such advance from the factoring of these trade receivables have been accounted for as our Group's liabilities. Our factoring loans remains relatively stable from approximately EUR6.8 million as at 31 December 2015 to approximately EUR6.7 million as at 31 December 2016. Our factoring loans decreased by approximately EUR1.6 million from approximately EUR6.7 million as at 31 December 2016 to approximately EUR5.1 million as at 30 June 2017, representing a decrease of approximately 24.3%. Such decrease was due to the decrease in factoring loans as the Group has settled more factoring loans for the six months ended 30 June 2017 as compared to the corresponding period in 2016.

### Bank borrowings

As at 31 December 2016 and 30 June 2017, our bank borrowings were denominated in EUR and US dollars respectively, which are repayable on demand or within one year. We drawdown and repay our bank borrowings from time to time for our working capital management purpose. Our banking borrowings remains relatively stable at approximately EUR1.0 million as at 31 December 2016 as compared to approximately EUR1.0 million as at 30 June 2017.

### Loans from Shareholders

The following table sets out the balances of the loans from Shareholders as at the dates indicated:

Loans from Shareholders	As at 31 December		As at
	2015	2016	30 June
	EUR'000	EUR'000	2017
			EUR'000
TOHL	–	755	753
AIL	–	119	119
Mr. Duc	–	80	78
Ms. Ho	–	35	35
	<u>–</u>	<u>989</u>	<u>985</u>

The above balance was non-trade in nature, unsecured, carrying interest of 5% per annum and repayable on demand, and will be settled on or around 5 January 2018.

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## FINANCIAL INFORMATION

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As at 31 October 2017, being the latest practicable date for the purpose of indebtedness, our Group had bank borrowings of approximately EUR2.4 million and factoring loans of approximately EUR5.4 million, which were secured by the Group's pledged bank deposits and trade receivables and guaranteed by ATL Holdings. As at 31 October 2017, our Group had loans from Shareholders of approximately EUR1.0 million, which were unsecured and will be settled on or around 5 January 2018.

### Contingent liabilities

As at 31 December 2015, 31 December 2016, 30 June 2017, we did not have any material contingent liabilities or guarantees.

As at 31 October 2017, being the latest practicable date for the purpose of indebtedness we did not have any material contingent liabilities or guarantees.

Save as disclosed above and otherwise in this prospectus and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, or other material contingent liabilities as at 31 October 2017.

### Material indebtedness change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 October 2017. As at the Latest Practicable Date, our Group did not have any plan to raise any material debt financing shortly after Listing.

### KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at/Year ended 31 December		As at/Six months ended
	2015	2016	30 June 2017
Current ratio ( <i>Note 1</i> )	1.3 times	1.3 times	1.3 times
Gearing ratio ( <i>Note 2</i> )	106.0%	108.3%	95.3%
Interest coverage ratio ( <i>Note 3</i> )	12.9 times	14.3 times	N/A
Return on total assets ratio ( <i>Note 4</i> )	4.3%	4.2%	N/A
Return on equity ratio ( <i>Note 5</i> )	20.9%	17.5%	N/A



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## FINANCIAL INFORMATION

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*Notes:*

1. Current ratio is calculated based on the total current assets at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
2. Gearing ratio is calculated based on the total debt at the end of the financial year/period divided by total equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%.
3. Interest coverage ratio is calculated by dividing profit/(loss) before interest and tax for the year/period by interest expense for the year/period.
4. Return on total assets ratio is calculated based on the net profit attributable to owners of our Company for the financial year/period divided by total assets at the end of the financial year/period and multiplied by 100%.
5. Return on equity ratio is calculated based on the net profit attributable to owners of our Company for the financial year/period divided by total equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%.

### **Current ratio**

Current ratio remained stable at approximately 1.3 times as at 31 December 2015 and 2016. After excluding the inventory as at 31 December 2015 and 2016, the quick ratio also remained stable for the two years ended 31 December 2015 and 2016 at approximately 0.9 times and 1.0 times respectively.

As at 30 June 2017, our current ratio and quick ratio remained relatively stable at approximately 1.3 and 1.0 times as compared to that of 31 December 2016.

### **Gearing ratio**

Gearing ratio was approximately 106.0% and 108.3% as at 31 December 2015 and 2016, respectively. Our gearing ratio increased slightly mainly attributable to the increase in bank borrowings and loans from related parties for the year ended 31 December 2016.

Our gearing ratio decreased from approximately 108.3% as at 31 December 2016 to approximately 95.3% as at 30 June 2017, mainly attributable to the reduction of bank borrowings of approximately EUR1.7 million.

### **Interest coverage ratio**

Our interest coverage ratio increased from approximately 12.9 times for the year ended 31 December 2015 to approximately 14.3 times for the year ended 31 December 2016 mainly due to interest expenses on the loan from related parties during the year ended 31 December 2016. Interest coverage ratio is not applicable for the six months ended 30 June 2017 due to the loss-making position.

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## FINANCIAL INFORMATION

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### **Return on total assets ratio**

Our return on total assets ratio decreased from approximately 4.3% for the year ended 31 December 2015 to approximately 4.2% for the year ended 31 December 2016 mainly due to an increase in the total assets as a result of the addition in the intangible assets after the acquisition of Swissvoice brand. Return on total assets ratio is not applicable for the six months ended 30 June 2017 due to the loss-making position.

### **Return on equity ratio**

Our return on equity ratio decreased from approximately 20.9% for the year ended 31 December 2015 to approximately 17.5% for the year ended 31 December 2016 mainly due to an increase in the total equity as a result of the increased retained earnings. Return on equity assets ratio is not applicable for the six months ended 30 June 2017 due to the loss-making position.

## **SENSITIVITY AND BREAK-EVEN ANALYSIS**

### **Sensitivity analysis**

During the Track Record Period, cost of inventories represented the largest component of our operating costs, which amounted to approximately EUR35.9 million, EUR28.5 million and EUR13.0 million for the year ended 31 December 2015 and 2016 and six months ended 30 June 2017, respectively, representing approximately 72.8%, 70.3% and 71.1% of our revenue for the corresponding year/period.

During the Track Record Period, employee benefit expenses represented the second largest component of our operating costs, which amounted to approximately EUR3.6 million, EUR3.5 million and EUR1.7 million for the year ended 31 December 2015 and 2016 and six months ended 30 June 2017, respectively, representing approximately 7.3%, 8.7% and 9.3% of our revenue for the corresponding year/period.

During the Track Record Period, while our purchase and costs of inventories were mainly denominated in USD, a substantial portion of our revenue was denominated in Euros due to the business orientation in Europe. Any significant fluctuations in the exchange rates between USD and Euros could materially and adversely affect our results of operations.

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## FINANCIAL INFORMATION

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Based on our best estimate, for illustrative purpose only, the following table sets forth the sensitivity analysis on our net profit during the Track Record Period with regard to the hypothetical changes on cost of inventories, employee benefit expenses and exchange rate between USD and Euros during the same period, assuming all other variables remain constant:

	Increase/(decrease) in net profit			Six months ended
	<i>Increase/(decrease) in percentage</i>	Year ended 31 December		30 June
		2015	2016	2017
		<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Cost of inventories	5%	(1,500)	(1,190)	(541)
	(5)%	1,500	1,190	541
	10%	(3,000)	(2,380)	(1,082)
	(10)%	3,000	2,380	1,082
Employee benefit expenses	5%	(150)	(147)	(71)
	(5)%	150	147	71
	10%	(300)	(294)	(142)
	(10)%	300	294	142
Exchange rate of USD:Euro	5%	(535)	(515)	(412)
	(5)%	535	515	412
	10%	(1,070)	(1,030)	(824)
	(10)%	1,070	1,030	824

### Breakeven analysis

For the year ended 31 December 2015, it is estimated that, holding all other variable constant, with an increase in (i) cost of inventories by approximately 4.7%; or (ii) employee benefit expenses by approximately 46.9%, our Group would record breakeven in profit or loss.

For the year ended 31 December 2016, it is estimated that, holding all other variable constant, with an increase in (i) cost of inventories by approximately 6.5%; or (ii) employee benefit expenses by approximately 47.8%, our Group would record breakeven in profit or loss.

For the six months ended 30 June 2017, it is estimated that, excluding Listing expenses of EUR0.5 million incurred for the period, holding all other variable constant, with a decrease in (i) cost of inventories by approximately 0.1%; or (ii) employee benefit expenses by approximately 0.7%, our Group would record breakeven in profit or loss.

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## FINANCIAL INFORMATION

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### OPERATING LEASE COMMITMENTS

As at 31 December 2015 and 2016, and 30 June 2017, our Group leases office and residential premises under non-cancellable operating lease agreement with related companies. For details, please refer to note 30 to the Accountant's Report set out in Appendix I to this prospectus. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>As at 31 December</b>		<b>As 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
No later than one year	189	233	239
Later than one year and no later than five years	267	343	267
	<u>456</u>	<u>576</u>	<u>506</u>

### DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 3 August 2017 and there was no distributable reserve as at 31 December 2015 and 2016, and 30 June 2017, respectively.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 31 to the Accountant's Report, our Directors have confirmed that each transaction set out therein was conducted on arm's length basis, on normal commercial terms and in the ordinary course of business. Our Directors consider that these related party transactions would not distort our results in material respects during the Track Record Period, and would not make our historical results not reflective of our future performance. Save for the "Key management compensation" set out in note 31 to the Accountant's Report, our Directors confirm that all related party transaction set out in note 31 to the Accountant's Report will not continue upon Listing.

### ACQUISITIONS AND DISPOSALS

For details of our major acquisitions and disposals conducted during the Track Record Period, please refer to the paragraph headed "History, Development and Reorganisation – Reorganisation" in this prospectus.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURES

#### Historical capital expenditures

During the Track Record Period, our capital expenditures primarily comprised (i) purchase of property, plant and equipment of approximately EUR185,000 and EUR195,000 for the year ended 31 December 2015 and 2016, respectively and approximately EUR67,000 and EUR8,000 for the six months ended 30 June 2016 and 2017, respectively; and (ii) one-off expenditure for the acquisition of Swissvoice SA which is recognised as intangible assets of approximately EUR1.2 million for the year ended 31 December 2016. For details of the acquisition, please refer to the section headed “Business” in this prospectus. We principally funded our capital expenditures through internal resources and finance lease arrangement.

#### Planned capital expenditures

Save for the planned usage of the net proceeds from the Share Offer as disclosed in “Future Plans and Use of Proceeds” and the additions of property, plant and equipment and intangible assets necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

### FINANCIAL RISK MANAGEMENT

Our Group’s activities expose it to a variety of financial risks, including market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Our Group’s overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group’s financial performance. For details, please refer to note 3 to the Accountant’s Report.

### OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

### DIVIDEND

During the Track Record Period, dividend of approximately EUR1.0 million, EUR1.0 million and nil were paid for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, respectively.

The declaration of future dividends will be subject to our Directors’ decision and will depend on, among other things, our earnings, cash flow, financial condition, capital requirements, statutory reserve requirements and any other factors our Directors may consider relevant. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. Currently, we do not have any predetermined dividend distribution ratio.

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## **FINANCIAL INFORMATION**

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After completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operation and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **UNAUDITED PRO FORMA OF ADJUSTED COMBINED NET TANGIBLE ASSETS**

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared in accordance with Rule 7.31 of the GEM Listing Rules to illustrate the effect of the Share Offer on the consolidated net tangible assets of our Group attributable to owners of our Company and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the Share Offer been completed as at 30 June 2017. Please see “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details.

### **POST BALANCE SHEET EVENTS**

Please refer to “Summary – Recent developments” and “Subsequent Event” in note 33 to the Accountant’s Report.

### **RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE**

Please refer to “Summary – Recent developments” for details.

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## UNDERWRITING

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### PUBLIC OFFER UNDERWRITERS

**First Shanghai Securities Limited**

**Orient Securities (Hong Kong) Limited**

### UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Division and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

#### Grounds for termination

The Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Bookrunner:
  - (i) any statement contained in this prospectus and the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sole Sponsor and/or the Sole Bookrunner and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or

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expectation contained in any such document is not, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, a material omission from the Relevant Documents in the context of the Share Offer; or
- (iii) either (1) there has been a breach of any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of our Controlling Shareholders and our executive Directors pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
- (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings set out in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, untrue, incorrect, inaccurate or misleading in any material respect; or
- (vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or



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- (viii) any person (other than the Sole Sponsor, the Sole Bookrunner and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
  - (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of Hong Kong, France, Spain, Switzerland, Mexico, the PRC, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Euro or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting any of the Relevant Jurisdictions; or
  - (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
  - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

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- (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in or affecting any of the Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation or claim of material importance being instigated or threatened against any member of our Group or any Director; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the company law of France, Spain, Switzerland and Mexico, the GEM Listing Rules, the SFO or any applicable laws and regulations; or
- (xiii) any prohibition on our Company for whatever reason from offering, allotting or issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or
- (xiv) non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the GEM Listing Rules or any other applicable laws and regulations; or

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## UNDERWRITING

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- (xv) other than with the written approval of the Sole Sponsor and/or the Sole Bookrunner, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any other applicable laws and regulations; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group); or
- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any of the Controlling Shareholders, or any member of our Group or any of the Controlling Shareholders makes any composition or arrangement with its creditors or enters into a scheme of arrangement, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any of the Controlling Shareholders, or any analogous matter thereto occurs in respect of any member of our Group or any of the Controlling Shareholders; or
- (xx) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

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## UNDERWRITING

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which in each case or in aggregate in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- (A) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his or its capacity as such; or
- (B) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated by the Underwriting Agreements, this prospectus and the Application Forms; or
- (D) has or may or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or Share Offer or pursuant to the underwriting thereof.

### **Lock-up undertakings**

#### ***Undertakings pursuant to the Public Offer Underwriting Agreement***

##### *Undertakings by our Company*

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that our Company shall not, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken to and covenanted with the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that he/she/it shall procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules,

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## UNDERWRITING

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except for the issue of Shares under the Share Offer, the grant of any option under the Share Option Scheme, or the allotment and issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
  
- (ii) at any time during the period of eighteen months commencing on the date on which the First Six-month Period expires (the “**Second Eighteen-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Eighteen-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders individually as well as collectively as a group of Controlling Shareholders of our Company under the GEM Listing Rules has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that, without the prior written consent of our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the

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## UNDERWRITING

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GEM Listing Rules, he/she/it shall not, and shall procure the relevant registered holder(s) and his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it not to:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/her/it or any of his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it; and
- (ii) at any time during the Second Eighteen-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that he/she/it enters into any transaction specified in sub-paragraph (i) above during the Second Eighteen-month Period (whether or not such transaction will be completed in the aforesaid period), he/she/it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that:

- (i) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the Second Eighteen-month Period expires, he/she/it must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/her/its interests in the Shares or other securities of our Company under sub-paragraph (i) above, he/she/it must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

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## UNDERWRITING

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### *Undertakings pursuant to the GEM Listing Rules*

#### *Undertakings by our Company*

Our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29(1) to (5) of the GEM Listing Rules.

#### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Share Offer, he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at anytime during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (ii) at anytime during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has undertaken to and covenanted with our Company and the Stock Exchange that:

- (i) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/her/its interests in the Shares or other securities of our Company under sub-paragraph (i) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

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## UNDERWRITING

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Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement.

### **Placing**

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and our executive Directors) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to agree to act as an agent of our Company to procure subscribers for the Placing Shares initially offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting arrangements, commissions and expenses – Lock-up undertakings – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commission and expenses**

The Public Offer Underwriters will receive an underwriting commission of 5.5% of the aggregate Offer Price payable for the Public Offer Shares which are underwritten by the Public Offer Underwriters, out of which they will pay any sub-underwriting commission and will be reimbursed for their reasonable expenses.

For any Offer Shares re-allocated from the Public Offer to the Placing or re-allocated from the Placing to the Public Offer, the underwriting commission will not be paid to the Public Offer Underwriters but will instead be paid, at the rate applicable to the Placing, to the Placing Underwriters.



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## **UNDERWRITING**

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The total commission and expenses relating to the Share Offer and the Listing (including the GEM Listing fees, legal and other professional fees, and printing) are estimated to be approximately HK\$24.6 million, assuming an Offer Price of HK\$0.70, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

### **SOLE BOOKRUNNER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sole Bookrunner, the Sole Lead Manager and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group nor any interest in the Share Offer.

### **SOLE SPONSOR'S INTERESTS AND INDEPENDENCE**

Save as disclosed in this prospectus, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer or has any other business relationship with our Group.

Neither the Sole Sponsor nor any of its directors, employees and close associates who is involved in providing advice to our Company has accrued any material benefit as a result of the successful outcome of the Share Offer, other than by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Share Offer and compliance adviser fee to be paid to the Sole Sponsor for acting as our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE STRUCTURE OF THE SHARE OFFER

First Shanghai Securities Limited is the Sole Bookrunner and Sole Lead Manager to the Share Offer.

The Share Offer comprises the Public Offer and the Placing. An aggregate of 10,000,000 Shares are initially allocated to the Public Offer for subscription in Hong Kong (subject to reallocation as mentioned below) as described in the paragraph headed “The Public Offer” in this section. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An aggregate of 90,000,000 Shares are initially offered under the Placing for subscription (subject to reallocation as mentioned below) as described in the paragraph headed “The Placing” in this section.

Investors are free to select to apply for the Public Offer Shares or apply for or indicate an interest for the Placing Shares, but may not do both. Our Directors and the Sole Bookrunner will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

The Offer Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Offer Shares to any persons. Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed.

### PRICING

The Offer Price will not be more than HK\$0.90 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

### Price payable upon application for the Public Offer Shares

Applicants applying for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.90 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,545.35 for each board lot of 5,000 Offer Shares. If the final Offer Price is lower than the maximum Offer Price of HK\$0.90 per Offer Share, arrangements will be made to refund any excess amount to the applicants, without interest.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Determining the Offer Price**

The Placing Underwriters will be soliciting from prospective investors the level of indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 11 January 2018 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree.

The Offer Price is expected to be fixed on the Price Determination Date by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company in Hong Kong dollars after the market demand for the Offer Shares has been determined. The Offer Price range disclosed in this prospectus and the Application Forms is indicative only.

### **Reduction in Offer Price range and/or number of Offer Shares**

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the bookbuilding process and after consultation with our Company and with the written consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that disclosed in this prospectus and the Application Forms at any time prior to the morning of the last day for lodging applications under the Public Offer. If the number of Offer Shares and/or the indicative Offer Price range is reduced, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in accordance with the GEM Listing Rules notice(s) of reduction in the number of the Offer Shares and/or the indicative Offer Price range or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company, the Sole Bookrunner and the Sole Sponsor. Upon issue of such notice(s), the revised number of the Offer Shares and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and us will be fixed within such revised Offer Price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. In the absence of any such notice(s) so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer.

**If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse.**

### CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, on GEM, our Shares in issue, any Shares to be issued pursuant to the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters), and not being terminated in accordance with the terms and conditions of the respective agreements),

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions has not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.atlinks.com](http://www.atlinks.com) on the next business day following such lapse. In such event, all application monies will be refunded, without interest. The terms on which the application monies will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application monies received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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We expect to issue share certificates for the Offer Shares on Thursday, 18 January 2018. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 19 January 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting arrangements, commissions and expenses – Grounds for termination” in this prospectus has not been exercised.

### THE PUBLIC OFFER

Our Company is initially offering 10,000,000 Offer Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the reallocation as mentioned below and under the GEM Listing Rules. The Public Offer is managed by the Sole Bookrunner and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.90 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under the paragraph headed “Conditions of the Share Offer” in this section.

If the Public Offer is not fully subscribed for, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the reallocation as mentioned below.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Multiple or suspected multiple applications under the Public Offer and any application for more than 10,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### THE PLACING

Our Company is initially offering 90,000,000 Offer Shares, at the Offer Price, representing 90% of the total number of the Offer Shares offered in the Share Offer, for subscription by way of the Placing, subject to reallocation as mentioned below and under the GEM Listing Rules.

The Placing will be fully underwritten by the Placing Underwriters upon and subject to the terms and conditions of the Placing Underwriting Agreement.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Investors subscribing for the Placing Shares are required to pay brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a broad Shareholder base for the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

In addition, our Company and the Sole Bookrunner will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. The Placing is subject to the Public Offer being unconditional.

The total number of the Placing Shares to be allotted and issued may change as a result of reallocation mentioned below and any reallocation of the unsubscribed Public Offer Shares to the Placing as mentioned under the paragraph headed "The Public Offer" in this section.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Sole Bookrunner (for itself and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) If the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Sole Bookrunner. If either the Public Offer or the Placing is not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Underwriters) has the authority to reallocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Sole Bookrunner (for itself and on behalf of the Underwriters) deems appropriate.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 18 January 2018.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 19 January 2018. Shares will be traded in board lots of 5,000 Shares and are fully transferable. The GEM stock code for the Shares is 8043.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect The Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 December 2017 until 12:00 noon on Thursday, 11 January 2018 from:

- (i) any of the following addresses of the Public Offer Underwriters:

First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong
Orient Securities (Hong Kong) Limited	28th and 29th Floor, 100 Queen's Road Central, Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre, Hong Kong
Kowloon	San Po Kong Branch	Shop G10, Yue Xiu Plaza, 3-23 Ning Yuen Street, San Po Kong, Kowloon
New Territories	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 December 2017 until 12:00 noon on Thursday, 11 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Atlinks Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Saturday, 30 December 2017</b>	<b>– 9:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 2 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 3 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 4 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 5 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 6 January 2018</b>	<b>– 9:00 a.m. to 1:00 p.m.</b>
<b>Monday, 8 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Tuesday, 9 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 10 January 2018</b>	<b>– 9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 11 January 2018</b>	<b>– 9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 11 January 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner, the Sole Lead Manager and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for Public Offer Shares;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates<sup>(Note)</sup>:

<b>Saturday, 30 December 2017</b>	–	<b>9:00 a.m. to 1:00 p.m.</b>	<sup>(Note)</sup>
<b>Tuesday, 2 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Wednesday, 3 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Thursday, 4 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Friday, 5 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Monday, 8 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Tuesday, 9 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Wednesday, 10 January 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b>	<sup>(Note)</sup>
<b>Thursday, 11 January 2018</b>	–	<b>8:00 a.m.</b>	<sup>(Note)</sup> <b>to 12:00 noon</b>

*Note:* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, 30 December 2017 until 12:00 noon on Thursday, 11 January 2018 (24 hours daily, except on 30 December 2017, 6 January 2018 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 11 January 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 11 January 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Pricing” in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 11 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 11 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 18 January 2018 on our Company’s website at [www.atlinks.com](http://www.atlinks.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.atlinks.com](http://www.atlinks.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, 18 January 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 18 January 2018 to 12:00 midnight on Wednesday, 24 January 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 18 January 2018 to Tuesday, 23 January 2018 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 January 2018 to Monday, 22 January 2018 at all the receiving bank’s designated branches on a Business Day.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do so by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Bookrunner and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 10,000,000 Public Offer Shares initially offered under the Public Offer.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.90 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 18 January 2018.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on Thursday, 18 January 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 19 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 18 January 2018, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheques. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 18 January 2018, by ordinary post at your own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

### *(iii) If you apply via electronic application instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 18 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “10. Publication of results” in this section on Thursday, 18 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 18 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 18 January 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ATLINKS GROUP LIMITED AND LEGO CORPORATE FINANCE LIMITED

### Introduction

We report on the historical financial information of Atlinks Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-50, which comprises the combined statements of financial position as at 31 December 2015 and 2016 and 30 June 2017, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December 2017 (the "**Prospectus**") in connection with the share offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the Group as at 31 December 2015, 31 December 2016 and 30 June 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the combined income statement, statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our

review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 32 to the Historical Financial Information which states that no dividends have been paid by Atlinks Group Limited in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 December 2017

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 (“**Track Record Period**”), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in EURO except when otherwise indicated.

**COMBINED INCOME STATEMENTS**

	<i>Notes</i>	Year ended 31 December		Six months ended 30 June	
		2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Revenue	5	49,335,527	40,560,338	18,585,316	18,235,706
Cost of sales	8	(36,554,253)	(29,041,082)	(13,376,812)	(13,360,987)
Gross profit		12,781,274	11,519,256	5,208,504	4,874,719
Other income	6	254,453	204,299	35,006	70,133
Other gain/(loss)	7				
– Exchange difference		363,869	(216,051)	91,838	481,297
– Fair value changes on derivative financial instruments		(590,591)	331,217	255,285	(583,041)
Selling and distribution expenses	8	(3,960,635)	(3,240,554)	(1,737,975)	(1,452,539)
Administrative expenses	8				
– Legal and professional fee for listing preparation		–	–	–	(490,119)
– Others		(6,827,031)	(6,422,833)	(3,285,447)	(3,200,420)
<b>Operating profit/(loss)</b>		2,021,339	2,175,334	567,211	(299,970)
Finance income	11	744	1,067	494	558
Finance costs	11	(336,975)	(323,736)	(151,863)	(201,500)
Finance costs, net	11	(336,231)	(322,669)	(151,369)	(200,942)
<b>Profit/(loss) before income tax</b>		1,685,108	1,852,665	415,842	(500,912)
Income tax (expenses)/credits	12	(338,458)	(467,252)	(76,504)	153,675
<b>Profit/(loss) for the year/period</b>		<u>1,346,650</u>	<u>1,385,413</u>	<u>339,338</u>	<u>(347,237)</u>
Attributable to:					
Owners of the Company		1,346,650	1,403,042	339,338	(330,132)
Non-controlling interests		–	(17,629)	–	(17,105)
		<u>1,346,650</u>	<u>1,385,413</u>	<u>339,338</u>	<u>(347,237)</u>
Basic and diluted earnings per share	13	N/A	N/A	N/A	N/A



## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
			(Unaudited)	
<b>Profit/(loss) for the year/period</b>	1,346,650	1,385,413	339,338	(347,237)
<b>Other comprehensive income/(loss)</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences	602,745	158,832	(142,826)	(333,418)
<i>Items that may not be reclassified to profit or loss:</i>				
Remeasurement of defined benefit retirement plans, net of tax	7,850	(5,517)	(5,518)	8,918
Other comprehensive income/(loss) for the year/period	610,595	153,315	(148,344)	(324,500)
<b>Total comprehensive income/(loss) for the year/period</b>	<u>1,957,245</u>	<u>1,538,728</u>	<u>190,994</u>	<u>(671,737)</u>
Attributable to:				
Owners of the Company	1,957,245	1,557,264	190,994	(650,542)
Non-controlling interests	–	(18,536)	–	(21,195)
	<u>1,957,245</u>	<u>1,538,728</u>	<u>190,994</u>	<u>(671,737)</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at 31 December 2015 EUR</b>	<b>2016 EUR</b>	<b>As at 30 June 2017 EUR</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	152,898	219,473	185,654
Intangible assets	15	3,240,353	4,200,073	4,040,989
Deferred income tax assets	26	1,305,089	1,175,364	1,247,922
Prepayments, deposits and other receivables	20	67,617	69,239	16,683
		<u>4,765,957</u>	<u>5,664,149</u>	<u>5,491,248</u>
<b>Current assets</b>				
Inventories	18	6,567,144	6,961,808	5,929,405
Deferred income tax assets	26	3,053	27,611	90,485
Derivative financial instruments	16	38,778	369,995	–
Trade receivables	19	12,297,765	10,906,130	9,585,019
Prepayments, deposits and other receivables	20	589,845	916,556	1,097,622
Current income tax recoverable		224,370	36,009	81,752
Pledged bank deposits	21	1,670,813	2,328,125	2,051,364
Cash and cash equivalents	21	5,507,198	5,992,129	2,875,308
		<u>26,898,966</u>	<u>27,538,363</u>	<u>21,710,955</u>
<b>Total assets</b>		<u><u>31,664,923</u></u>	<u><u>33,202,512</u></u>	<u><u>27,202,203</u></u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Paid-in capital	22	4,386,134	4,386,134	4,386,134
Reserves		2,066,151	3,623,415	2,972,873
		6,452,285	8,009,549	7,359,007
Non-controlling interests		–	71,427	50,232
<b>Total equity</b>		<u>6,452,285</u>	<u>8,080,976</u>	<u>7,409,239</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax liabilities	26	8,472	4,266	6,622
Retirement benefits obligation	28	303,600	334,954	332,704
Other payables	24	3,422,889	3,177,554	3,050,637
		<u>3,734,961</u>	<u>3,516,774</u>	<u>3,389,963</u>
<b>Current liabilities</b>				
Trade payables	23	6,238,906	6,954,479	4,181,711
Deferred income tax liabilities	26	14,934	133,123	44,302
Accruals, provision and other payables	24	6,689,117	5,670,533	4,745,942
Loans from related parties	31	–	989,374	985,267
Derivative financial instruments	16	–	–	213,046
Dividend payable	32	1,500,002	–	–
Income tax payable		194,852	175,715	206,555
Borrowings	25	6,839,866	7,681,538	6,026,178
		<u>21,477,677</u>	<u>21,604,762</u>	<u>16,403,001</u>
<b>Total liabilities</b>		<u><u>25,212,638</u></u>	<u><u>25,121,536</u></u>	<u><u>19,792,964</u></u>
<b>Total equity and liabilities</b>		<u><u>31,664,923</u></u>	<u><u>33,202,512</u></u>	<u><u>27,202,203</u></u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non- controlling interest (Note 1) EUR	Total EUR
	Paid-in capital EUR	Other reserve EUR	Retained earnings EUR	Total EUR		
<b>At 1 January 2015</b>	3,121,364	1,364,434	2,475,742	6,961,540	-	6,961,540
<b>Comprehensive income</b>						
Profit for the year	-	-	1,346,650	1,346,650	-	1,346,650
<b>Other comprehensive income</b>						
Currency translation difference	-	602,745	-	602,745	-	602,745
Remeasurement of defined benefit retirement plans, net of tax	-	7,850	-	7,850	-	7,850
Other comprehensive income	-	610,595	-	610,595	-	610,595
<b>Total comprehensive income for the year</b>	-	610,595	1,346,650	1,957,245	-	1,957,245
Allotment of share of a subsidiary (Note 2)	1,264,770	(1,264,770)	-	-	-	-
Final dividend 2014	-	-	(466,500)	(466,500)	-	(466,500)
Interim dividend 2015	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
<b>Balances at 31 December 2015 and 1 January 2016</b>	4,386,134	710,259	1,355,892	6,452,285	-	6,452,285
<b>Comprehensive income</b>						
Profit/(loss) for the year	-	-	1,403,042	1,403,042	(17,629)	1,385,413
<b>Other comprehensive income/(loss)</b>						
Currency translation difference	-	159,739	-	159,739	(907)	158,832
Remeasurement of defined benefit retirement plans, net of tax	-	(5,517)	-	(5,517)	-	(5,517)
Other comprehensive income/(loss)	-	154,222	-	154,222	(907)	153,315
<b>Total comprehensive income/(loss) for the year</b>	-	154,222	1,403,042	1,557,264	(18,536)	1,538,728
Contribution from non-controlling interests	-	-	-	-	89,963	89,963
<b>Balances at 31 December 2016</b>	4,386,134	864,481	2,758,934	8,009,549	71,427	8,080,976

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

Note 2: It represents the allotment of share pursuant to the employee share-based compensation scheme which was fully vested before 1 January 2015.

	Attributable to owners of the Company					Total EUR
	Paid-in capital EUR	Other reserve EUR	Retained earnings EUR	Total EUR	Non-	
					controlling interest EUR	
(Unaudited)						
<b>At 1 January 2016</b>	<u>4,386,134</u>	<u>710,259</u>	<u>1,355,892</u>	<u>6,452,285</u>	<u>–</u>	<u>6,452,285</u>
<b>For the six months ended 30 June 2016</b>						
<b>Comprehensive income</b>						
Profit for the period	–	–	339,338	339,338	–	339,338
<b>Other comprehensive loss</b>						
Currency translation difference	–	(142,826)	–	(142,826)	–	(142,826)
Remeasurement of defined benefit retirement plans, net of tax	–	(5,518)	–	(5,518)	–	(5,518)
Other comprehensive loss	–	(148,344)	–	(148,344)	–	(148,344)
<b>Total comprehensive (loss)/income for the period</b>	<u>–</u>	<u>(148,344)</u>	<u>339,338</u>	<u>190,994</u>	<u>–</u>	<u>190,994</u>
<b>Balances at 30 June 2016</b>	<u>4,386,134</u>	<u>561,915</u>	<u>1,695,230</u>	<u>6,643,279</u>	<u>–</u>	<u>6,643,279</u>
<b>At 1 January 2017</b>	<u>4,386,134</u>	<u>864,481</u>	<u>2,758,934</u>	<u>8,009,549</u>	<u>71,427</u>	<u>8,080,976</u>
<b>For the six months ended 30 June 2017</b>						
<b>Comprehensive income</b>						
Loss for the period	–	–	(330,132)	(330,132)	(17,105)	(347,237)
<b>Other comprehensive loss</b>						
Currency translation difference	–	(329,328)	–	(329,328)	(4,090)	(333,418)
Remeasurement of defined benefit retirement plans, net of tax	–	8,918	–	8,918	–	8,918
Other comprehensive loss	–	(320,410)	–	(320,410)	(4,090)	(324,500)
<b>Total comprehensive loss for the period</b>	<u>–</u>	<u>(320,410)</u>	<u>(330,132)</u>	<u>(650,542)</u>	<u>(21,195)</u>	<u>(671,737)</u>
<b>Balances at 30 June 2017</b>	<u>4,386,134</u>	<u>544,071</u>	<u>2,428,802</u>	<u>7,359,007</u>	<u>50,232</u>	<u>7,409,239</u>

## COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Six months ended 30 June	
	Notes	2015 EUR	2016 EUR	2016 EUR	2017 EUR
				(Unaudited)	
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	27	787,123	2,366,136	1,485,718	(1,061,724)
Interest received		744	1,067	494	558
Income tax paid		(621,842)	(86,570)	(48,593)	(86,834)
Net cash generated from/(used in) operating activities		166,025	2,280,633	1,437,619	(1,148,000)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(185,394)	(195,129)	(67,325)	(7,509)
Purchase of intangible assets		–	(1,230,000)	–	–
Net cash used in investing activities		(185,394)	(1,425,129)	(67,325)	(7,509)
<b>Cash flows from financing activities</b>					
Proceeds from bank borrowings		37,420,908	35,384,325	16,531,745	21,150,584
Repayment of bank borrowings		(37,609,916)	(34,545,461)	(17,983,207)	(22,760,787)
Dividend paid (Note)		(966,498)	(984,996)	(479,998)	–
Interest paid		(336,975)	(323,736)	(151,863)	(201,500)
Legal and professional fee paid for listing preparation		–	–	–	(157,211)
Pledged bank deposit for bank loans		194,642	(607,706)	(668,637)	181,924
Contribution from minority interest		–	89,963	–	–
Loan to/(repayment of loan) from related parties (Note)		–	474,368	–	(4,107)
Net cash used in financing activities		(1,297,839)	(513,243)	(2,751,960)	(1,791,097)
<b>Net (decrease)/increase in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the year/period		(1,317,208)	342,261	(1,381,666)	(2,946,606)
Effect on foreign exchange rate change		6,230,022	5,507,198	5,507,198	5,992,129
Cash and cash equivalents at end of the year/period	21	5,507,198	5,992,129	3,986,885	2,875,308

Note: As at 31 December 2015, the dividend payable amounted EUR1,500,002. During the year ended 31 December 2016, part of the dividend amounted EUR984,996 was paid to the shareholders of the Atlinks Holdings Limited, among which EUR479,998 was paid to shareholders for the period ended 30 June 2016, while the remaining portion EUR515,006 was converted as a loan from related parties which constitute a non-cash transaction.

During the year/period ended 31 December 2015, 31 December 2016 and 30 June 2017, retirement benefit expense under defined benefit obligation retirement scheme, amounting to EUR10,317, EUR31,354 and EUR(2,250) were non-cash transactions.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General Information

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

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in designing, developing and selling home and office telecommunication products to retailers, telecommunication operators and distributors customers all around the world (except North America) under two brands, namely Alcatel and Swissvoice. The ultimate holding company of the Company is Talent Ocean Holdings Limited (“**TOHL**”). The ultimate controlling party of the Group is Ms. Chu Lam Fong (the “**Ms. Chu**”).

#### 1.2 Reorganisation

The Group underwent a group reorganisation (the “**Reorganisation**”), pursuant to which the companies engaged in the Listing Business were transferred to the Company. The Reorganisation involved the following:

- (1) On 13 July 2017, Atlinks Industries Limited was incorporated and held by Eiffel Global Limited.
- (2) On 3 August 2017, the Company was incorporated in the Cayman Islands, one nil-paid share was allotted and issued to an initial subscriber. It was then transferred to Eiffel Global Limited, which was 75.00%, 11.83%, 9.67% and 3.5% owned by Talent Ocean Holdings Limited, Argento Investments Limited, Mr. Jean-Alexis René Robert Duc and Ms. Dora Ho respectively, on the same date at nil consideration.
- (3) On 15 August 2017, Atlinks Industries Limited acquired the entire share capital of Atlinks Holdings Limited from its then shareholders at a consideration settled by allotment and issue of shares of Atlinks Industries Limited to Eiffel Global Limited at the direction of the then shareholders.
- (4) On 21 December 2017, the Company acquired the entire share capital of Atlinks Industries Limited from Eiffel Global Limited at a consideration settled by allotment and issue of shares of the Company to Eiffel Global Limited.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	Country and date of incorporation	Principal activities	Issued and paid up capital/ registered capital	Attributable effective equity interest to the Company as at			Notes
				31 December 2015	31 December 2016	30 June 2017	
<b>Directly held</b>							
Atlinks Industries Limited	British Virgin Islands, 13 July 2017	Investment holding	EUR1	N/A	N/A	N/A	(i)
<b>Indirectly held</b>							
Atlinks Holdings Limited	Hong Kong, 13 January 2012	Investment holding	EUR3,069,564	100%	100%	100%	(ii)
Atlinks Enterprise Limited	Hong Kong, 22 September 2016	Trading and development of telecommunication equipment	HK\$1,500,000	N/A	51%	51%	(i)
Atlinks Asia Limited	Hong Kong, 3 December 2009	Trading and development of telecommunication equipment	HK\$1	100%	100%	100%	(ii)

Name	Country and date of incorporation	Principal activities	Issued and paid up capital/ registered capital	Attributable effective equity interest to the Company as at			Notes
				31 December 2015	31 December 2016	30 June 2017	
Atlinks Europe SAS	France, 30 October 2008	Trading and development of telecommunication equipment	EUR500,000	100%	100%	100%	(iii)
Atlinks Technology (Shenzhen) Limited	China, 6 March 2014	Trading and development of telecommunication equipment	HK\$700,000	100%	100%	100%	(i)
Atlinks Mexico S.A. de C.V.	Mexico, 14 December 2009	Trading and development of electrical equipment including radio communication equipment	MXN50,000	100%	100%	100%	(i)
Swissvoice International SA	Switzerland, 14 November 2016	Management of trademarks and trading of telecommunication equipment	CHF380,000	N/A	100%	100%	(i)

*Notes:*

- (i) No audited financial statements have been issued for these companies as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.
- (ii) The statutory financial statements of these companies for each of the years ended 31 December 2015 and 2016 were audited by New Choice C.P.A. & Company, who is a certified public accountant in Hong Kong.
- (iii) The statutory financial statements of this company for each of the years ended 31 December 2015 and 2016 were audited by Magis & Associates, who is a certified public accountant in France.
- (iv) All companies comprising the Group have adopted 31 December as their financial year end date.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is controlled by Ms. Chu. The Listing Business is conducted through Atlinks Holdings Limited and its subsidiaries (the “**Operating Companies**”) which are ultimately controlled by Ms. Chu. Pursuant to the Reorganisation, Atlinks Holdings Limited and the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transactions as described in Note 1.2 above is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Atlinks Holdings Limited and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Atlinks Holdings Limited and its subsidiaries, using the carrying values of assets, liabilities and operating results of the Listing Business under the consolidated financial statements of Atlinks Holdings Limited for all periods presented.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

#### *New standards and amendments to existing standards not yet adopted by the Group*

The following are standards and amendments to existing standards that have been published but are not yet effective for the Track Record Period, and not been early adopted by the Group.

		<b>Effective for accounting year beginning on or after</b>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instrument	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HK (IFRIC) 22	Foreign Currency Translations and Advance Consideration	1 January 2018
Amendments to HKFRS4	Insurance contracts “Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts”	1 January 2018
Amendments to HKFRS 1	Annual Improvements 2014-2016 cycle	1 January 2018
Amendments to HKAS 28	Annual Improvements 2014-2016 cycle	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

#### (i) *HKFRS 9 “Financial instrument”*

HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“**FVOCI**”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value on equity instruments in other comprehensive income, provided the instrument is not held for trading. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.



HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. The new model applies to debt instruments measured at FVOCI, financial assets classified at amortised cost, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The HKFRS 9 ECL model contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. For trade receivables, contract assets and lease receivables, a simplified approach can be selected by the Group to measure the lifetime expected credit losses. Despite that the new impairment model may result in an earlier recognition of credit losses, based on management’s current assessment, the adoption of the new model is unlikely to have significant impact on the Group’s financial performance and position. The Group has commenced a preliminary assessment of the potential impact of the application of the new model for the recognition of impairment losses. Up to this stage, the implementation of the new ECL model is not expected to result in any significant impact on the Group’s financial position and results of operations except that it may result in an earlier recognition of credit losses.

(ii) *HKFRS 15 “Revenue from contracts with customers”*

HKFRS 15 “Revenue from contracts with customers” replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group has performed a preliminary assessment of the potential impact of the application of HKFRS 15 and identified the key areas which might be accounted for differently under this new standard, including but not limited to the identification of separate performance obligations in the contracts with customers and the allocation of transaction price, if applicable, which may affect the timing of revenue recognition. Up to this stage, the implementation of HKFRS 15 is not expected to result in any significant impact on the Group’s financial position and results of operations.

(iii) *HKFRS 16 “Leases”*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will both be presented as financing cash flows.

In contrast to lessees accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in note 30(b), the total operating lease commitment of the Group in respect of rented premises as at 30 June 2017 amounted to EUR505,998. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

## 2.2 Subsidiaries

### *Consolidation*

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

#### *(a) Business combination*

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statements.

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

*(b) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined income statements. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to combined statements of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

## 2.3 Foreign currency translation

*(a) Functional and presentation currency*

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

*(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 combined statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the combined income statements 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

## 2.4 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.

## 2.5 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 the replaced part is derecognised. All other repairs and maintenance are charged in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

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

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

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 the proceeds with the carrying amount and are recognised within "other gains, net" in the combined statements of comprehensive income.

## 2.6 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%
Trademark	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 renewal practice.

The 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.

## 2.7 Impairment of non-financial 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. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.8 Financial assets

### (a) *Classification*

The Group classifies its financial assets in the following categories: derivative financial instruments and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) *Derivative financial instruments*

Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits and other receivables", "pledged bank deposits" and "cash and cash equivalents" in the combined statements of financial position.

### (b) *Recognition, derecognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the combined income statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'derivatives financial instruments' category are presented in the combined income statements.

## 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**2.10 Impairment of financial assets***Assets carried at amortised cost*

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statements. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

**2.11 Inventories**

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.

**2.12 Derivative financial instruments**

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

**2.13 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.14 Cash and cash equivalents**

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdraft. In the combined statements of financial position, bank overdraft are shown within borrowings in current liabilities.

**2.15 Borrowings**

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

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

#### **2.16 Borrowing costs**

Borrowing costs are recognised in combined income statements in the period in which they are incurred.

#### **2.17 Share capital**

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

The tax expense for the years comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, 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.

##### **(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the combined statements of financial position date in the countries where the Group operates and generates 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.

##### **(b) Deferred income tax**

###### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it is 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 statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**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 combined statements 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 combined income statements 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 combined income statements.

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 combined income statements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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 combined statements of comprehensive income.

(b) *Bonus plans*

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



## 2.21 Provisions

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

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

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

### *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.

## 2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognised as follows:

- (a) Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (b) Interest income is recognised on a time-proportion basis using the effective interest method.

## 2.23 Operating leases (as the lessee)

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

## 2.24 Dividend distribution

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

# 3 FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

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

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

*(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 HKD, which are the functional currencies of the major operating companies within the Group. The Group manages its foreign currency exposure by entering forward derivatives contract.

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

At 31 December 2015, 31 December 2016 and 30 June 2017, if USD had strengthened/weakened against EUR by 5% with all other variables held constant, the post-tax profit/(loss) for the respective years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 would have been approximately EUR534,928, EUR515,395 and EUR411,708 lower/higher, mainly as a result of foreign exchange losses/gains on revaluation of USD denominated cash and cash equivalents, trade receivables, trade payables and loans from related parties.

*(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 2015, 31 December 2016 and 30 June 2017, the Group's bank borrowings at variable rates were denominated in EUR and HKD. The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements and regular reporting is provided to the management for the Group's debt and interest rates exposure. The Group considered interest rate risk on bank borrowings is insignificant.

*(c) Credit risk*

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks.

Majority of the Group's revenue is received from customers in relation to sales of telecommunication equipment and are transacted in credit. The Group's trade receivables arise from sales of telecommunication equipment to the customers. As at 31 December 2015, 31 December 2016 and 30 June 2017, the top three debtors accounted for approximately 37%, 33% and 27% respectively; and the largest debtor accounted for approximately 17%, 18% and 14% respectively of the Group's trade receivables balance, respectively. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the Group's credit risk of these receivables to be low.

*(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 during the Relevant Periods). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Balance due after 12 months are the contractual discounted cash flows.

	On demand	Less than 1 year <i>EUR</i>	Between 1-5 years <i>EUR</i>	Over 5 years <i>EUR</i>	Total <i>EUR</i>
As at 31 December 2015					
Trade payables	–	6,238,906	–	–	6,238,906
Dividend payable	–	1,500,002	–	–	1,500,002
Borrowings	–	6,908,265	–	–	6,908,265
Accruals	–	5,037,155	–	–	5,037,155
Other payables	–	346,572	1,051,986	2,370,903	3,769,461
	<u>–</u>	<u>20,030,900</u>	<u>1,051,986</u>	<u>2,370,903</u>	<u>23,453,789</u>
As at 31 December 2016					
Trade payables	–	6,954,479	–	–	6,954,479
Loans from related parties	–	989,374	–	–	989,374
Borrowings	58,101	7,711,688	–	–	7,769,789
Accruals	–	4,242,124	–	–	4,242,124
Other payables	–	305,880	1,100,934	2,076,619	3,483,433
	<u>58,101</u>	<u>20,203,545</u>	<u>1,100,934</u>	<u>2,076,619</u>	<u>23,439,199</u>
As at 30 June 2017					
Trade payables	–	4,181,711	–	–	4,181,711
Loans from related parties	–	985,267	–	–	985,267
Borrowings	1,128,520	5,005,767	–	–	6,134,287
Accruals	–	3,400,232	–	–	3,400,232
Other payables	–	421,164	1,281,995	1,768,642	3,471,801
	<u>1,128,520</u>	<u>13,994,141</u>	<u>1,281,995</u>	<u>1,768,642</u>	<u>18,173,298</u>

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.

**Maturity Analysis – Borrowings subject to repayment  
on demand clause based on scheduled repayments**

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2015</b>					
Borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>At 31 December 2016</b>					
Borrowings	<u>58,101</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,101</u>
<b>At 30 June 2017</b>					
Borrowings	<u>592,374</u>	<u>162,096</u>	<u>428,005</u>	<u>–</u>	<u>1,182,475</u>

### 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 combined statements of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in combined statements of financial position plus net debt.

The gearing ratio as at 31 December 2015, 31 December 2016 and 30 June 2017 are as follows:

	<b>As at 31 December 2015</b>	<b>2016</b>	<b>As at 30 June 2017</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Total borrowings	6,839,866	7,681,538	6,026,178
Less: cash and cash equivalents	<u>(5,507,198)</u>	<u>(5,992,129)</u>	<u>(2,875,308)</u>
Net debt	1,332,668	1,689,409	3,150,870
Total equity	<u>6,452,285</u>	<u>8,080,976</u>	<u>7,409,239</u>
Total capital	<u>7,784,953</u>	<u>9,770,385</u>	<u>10,560,109</u>
Net gearing ratio	17%	17%	30%

### 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).

	<b>Level 2</b>
	<i>EUR</i>
<b>As at 31 December 2015</b>	
Derivative financial instruments	<u>38,778</u>
<b>As at 31 December 2016</b>	
Derivative financial instruments	<u>369,995</u>
<b>As at 30 June 2017</b>	
Derivative financial instruments	<u>(213,046)</u>

*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 during the Track Record Period.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(a) Impairment of receivables**

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

**(b) Current and deferred taxes**

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

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

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

**(d) Estimate of useful lives 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 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.

**5 REVENUE AND SEGMENT INFORMATION**

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

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

**(a) Revenue by product type**

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

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
			(Unaudited)	
Revenue				
Home telephone	43,165,762	34,599,739	15,813,802	15,453,315
Office telephone	5,311,907	4,886,991	2,347,149	2,165,053
Others	857,858	1,073,608	424,365	617,338
	<u>49,335,527</u>	<u>40,560,338</u>	<u>18,585,316</u>	<u>18,235,706</u>

**(b) Revenue by location**

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

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
			(Unaudited)	
France	21,745,904	21,222,574	10,214,609	8,797,281
Latin America (Note i)	14,495,363	9,350,337	3,638,195	3,624,283
Other European countries (Note ii)	7,250,619	6,527,301	3,144,979	3,444,293
Others (Note iii)	5,843,641	3,460,126	1,587,533	2,369,849
	<u>49,335,527</u>	<u>40,560,338</u>	<u>18,585,316</u>	<u>18,235,706</u>

*Notes:*

- i. Latin America includes Argentina, Chile, Mexico, Peru and others.
- ii. Other European countries include but is not limited to Germany, Greece, Italy, Portugal, Spain and Switzerland but excludes France.
- iii. Others includes but is not limited to Asia Pacific Region, Russia and Middle East area.
- (c) Revenue from customers contributing over 10% of the total revenue of our Group is as follows:

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Customer A	5,812,355	4,543,311	2,284,364	N/A
Customer B	N/A	4,180,706	2,053,878	2,608,342

N/A: The revenue of the particular customer for the particular year/period is less than 10% of the Group's revenue for that particular year/period.

**6 OTHER INCOME**

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Compensation from distributors for missing sale target	213,896	153,072	35,006	43,198
Others	40,557	51,227	–	26,935
	<u>254,453</u>	<u>204,299</u>	<u>35,006</u>	<u>70,133</u>

**7 OTHER GAIN/(LOSS)**

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Exchange gain/(loss), net	363,869	(216,051)	91,838	481,297
(Loss)/gain on derivative financial instruments	(590,591)	331,217	255,285	(583,041)
	<u>(226,722)</u>	<u>115,166</u>	<u>347,123</u>	<u>(101,744)</u>

## 8 EXPENSES BY NATURE

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

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
			(Unaudited)	
Operating lease expenses	375,919	309,406	147,003	165,126
Employee benefit expenses other than directors' emoluments (Note 9)	3,592,468	3,525,916	1,824,849	1,689,769
Legal and professional fees	146,104	215,493	53,812	84,310
Auditors' remuneration	29,916	30,259	15,004	15,462
Advertising and marketing expense	682,111	625,152	315,485	179,578
Directors' emoluments (Note 10)	1,059,969	945,755	480,152	500,649
Cost of inventories	35,923,603	28,506,711	13,038,705	12,966,815
Freight and transportation	896,234	760,682	394,236	375,964
Depreciation of property, plant and equipment	205,914	133,752	77,475	32,402
Provision/(reversal) for impairment of trade receivables (Note 19)	130,605	(110,582)	–	88,994
(Reversal)/provision for inventories	(59,006)	27,390	(58,418)	(127,390)
Provision for product warranty	256,515	79,179	87,071	72,616
Commission fee	689,812	572,714	254,301	275,530
Storage fee	520,438	488,228	244,014	232,466
Amortisation of intangible assets	270,029	270,277	135,015	136,515
Legal and professional fees for listing preparation	–	–	–	490,119
Others	2,621,288	2,324,137	1,391,530	1,325,140
	<u>47,341,919</u>	<u>38,704,469</u>	<u>18,400,234</u>	<u>18,504,065</u>
Total cost of sales, selling and distribution expenses and administrative expense				

## 9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
			(Unaudited)	
Salaries, bonus and allowances	2,770,488	2,698,970	1,369,235	1,269,215
Retirement benefit expenses				
– Defined contribution pension costs	695,771	724,659	403,190	365,203
– Defined benefit pension costs (Note 28)	17,693	17,299	8,650	9,045
Other employee benefits	108,516	84,988	43,774	46,306
	<u>3,592,468</u>	<u>3,525,916</u>	<u>1,824,849</u>	<u>1,689,769</u>

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

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



Under the defined contribution scheme in France, each employee is entitled to receive a basic pension plus a complementary pension from defined contribution schemes, namely Association pour le régime de retraite complémentaire des salariés ("ARRCO") and Association générale des institutions de retraite des cadres ("AGIRC") (solely for management). Under ARRCO, the Group makes monthly contributions from 1.2% to 12.1% and its employees make monthly contributions from 0.8% to 8.1% of the employee's relevant income to the scheme. Under AGIRC, the Group makes monthly contributions from 1.3% to 12.8% and its employees make monthly contributions from 0.9% to 7.8% of the employee's relevant income to the scheme. For the years ended 31 December 2015, 31 December 2016 and the six months ended 30 June 2017, the monthly social security is subject a cap of EUR3,170, EUR3,218 and EUR3,269 respectively.

Under the French Social Security Code, retiring allowances (lump sums) must by law be paid by the employer when employees retire (Note 28).

## 10 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and chief executive's emoluments

For the year ended 31 December 2015

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension costs EUR	Defined benefit pension costs EUR	Total EUR
<b>Executive directors</b>							
Didier Paul Henri Goujard ( <i>chief executive officer</i> )	–	243,902	104,780	212,316	–	–	560,998
Ho Dora	–	147,991	–	81,210	16,279	–	245,480
Long Shing	–	45,296	–	6,516	2,323	–	54,135
Jean-Alexis René Robert Duc	–	94,267	–	38,637	65,355	1,097	199,356
	–	531,456	104,780	338,679	83,957	1,097	1,059,969

For the year ended 31 December 2016

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension costs EUR	Defined benefit pension costs EUR	Total EUR
<b>Executive directors</b>							
Didier Paul Henri Goujard ( <i>chief executive officer</i> )	–	244,470	102,331	148,555	–	–	495,356
Ho Dora	–	154,536	–	49,081	16,999	–	220,616
Long Shing	–	45,984	–	6,465	2,299	–	54,748
Jean-Alexis René Robert Duc	–	97,179	–	19,511	57,209	1,136	175,035
	–	542,169	102,331	223,612	76,507	1,136	945,755

For the six months ended 30 June 2016 (unaudited)

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension costs EUR	Defined benefit pension costs EUR	Total EUR
<b>Executive directors</b>							
Didier Paul Henri Goujard ( <i>chief executive officer</i> )	–	121,107	57,168	56,817	–	–	235,092
Ho Dora	–	70,111	–	31,792	7,712	–	109,615
Long Shing	–	20,934	–	7,336	1,047	–	29,317
Jean-Alexis René Robert Duc	–	48,078	–	22,674	34,852	524	106,128
	–	260,230	57,168	118,619	43,611	524	480,152

For the six months ended 30 June 2017

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension costs EUR	Defined benefit pension costs EUR	Total EUR
<b>Executive directors</b>							
Didier Paul Henri Goujard ( <i>chief executive officer</i> )	–	124,703	39,508	81,806	–	–	246,017
Ho Dora	–	73,254	–	35,711	8,059	–	117,024
Long Shing	–	21,734	–	8,240	1,087	–	31,061
Jean-Alexis René Robert Duc	–	48,358	–	22,674	34,848	667	106,547
	–	268,049	39,508	148,431	43,994	667	500,649

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 Track Record Period.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

**(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 Track Record Period.

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

During the Track Record Period, 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 2015, 31 December 2016 and 30 June 2017, there were no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

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

Save as disclosed in Note 31, 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 at the end of the Track Record Period.

**(f) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 include 3 directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals during the Track Record Period are as follows:

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Salaries and other allowances	174,963	167,790	94,746	88,988
Bonus	57,746	22,903	21,148	20,386
Pension cost				
– Defined contribution scheme	70,668	93,385	37,595	32,277
– Defined benefit scheme	2,035	1,962	1,033	1,228
	<u>305,412</u>	<u>286,040</u>	<u>154,522</u>	<u>142,879</u>

The emoluments fell within the following bands:

Emolument bands	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (Unaudited)	2017
NIL to HK\$1,000,000	–	–	2	2
HK\$1,000,000 to HK\$1,500,000	2	2	–	–

During the Track Record Period, 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, leave the Group or as compensation for loss of office.

**11 FINANCE COSTS, NET**

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
<b>Finance income</b>				
Bank interest income	(744)	(1,067)	(494)	(558)
<b>Finance costs</b>				
Interest expense on factoring	119,833	120,724	58,841	68,503
Interest expense on bank borrowings	36,749	25,640	6,014	28,223
Interest expense on retirement benefit obligations	4,399	5,779	2,890	2,082
Interest expense on loans from related parties (Note 31)	–	6,022	–	23,966
Interest expense on license fee payables	175,994	165,571	84,118	78,726
	<u>336,975</u>	<u>323,736</u>	<u>151,863</u>	<u>201,500</u>
Finance costs, net	<u>336,231</u>	<u>322,669</u>	<u>151,369</u>	<u>200,942</u>

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

Corporate income tax on profits from a subsidiary operating in Mainland China has been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations.

Corporate income tax on profits from a subsidiary operating in France has been calculated at 33.33% in accordance with the relevant France tax laws and regulations.

Income tax expenses/(credits) recognised in the combined statements of comprehensive income represents:

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Current income tax expense	396,559	243,718	48,766	76,553
Deferred income tax (credit)/expense (Note 26)	(58,101)	223,534	27,738	(230,228)
	<u>338,458</u>	<u>467,252</u>	<u>76,504</u>	<u>(153,675)</u>

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

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Profit/(loss) before income tax	<u>1,685,108</u>	<u>1,852,665</u>	<u>415,842</u>	<u>(500,912)</u>
Calculated at a taxation rate of 16.5%	278,043	305,690	68,614	(82,650)
Expenses not deductible for tax purpose	106,207	69,297	15,395	115,497
Income not taxable for tax purpose	(20,160)	(27,466)	(29,198)	(38,321)
Effect of different tax rates in other jurisdictions	(20,986)	124,385	24,021	(145,840)
One-off tax relief	(4,646)	(4,654)	(2,328)	(2,361)
Income tax expense/(credit)	<u>338,458</u>	<u>467,252</u>	<u>76,504</u>	<u>(153,675)</u>

**13 EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

## 14 PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment EUR	Leasehold improvements EUR	Tooling EUR	Testing equipment EUR	Construction in progress EUR	Total EUR
As at 1 January 2015						
Cost	230,049	194,038	1,881,296	389,691	–	2,695,074
Accumulated depreciation	(199,429)	(129,065)	(1,819,307)	(389,691)	–	(2,537,492)
Net book value	<u>30,620</u>	<u>64,973</u>	<u>61,989</u>	<u>–</u>	<u>–</u>	<u>157,582</u>
Year ended 31 December 2015						
Opening net book amount	30,620	64,973	61,989	–	–	157,582
Additions	105,513	–	79,881	–	–	185,394
Currency translation difference	1,028	7,207	7,601	–	–	15,836
Depreciation charge	(49,678)	(46,666)	(109,570)	–	–	(205,914)
Closing net book amount	<u>87,483</u>	<u>25,514</u>	<u>39,901</u>	<u>–</u>	<u>–</u>	<u>152,898</u>
As at 31 December 2015 and 1 January 2016						
Cost	310,518	209,427	2,212,829	402,139	–	3,134,913
Accumulated depreciation	(223,035)	(183,913)	(2,172,928)	(402,139)	–	(2,982,015)
Net book value	<u>87,483</u>	<u>25,514</u>	<u>39,901</u>	<u>–</u>	<u>–</u>	<u>152,898</u>
Year ended 31 December 2016						
Opening net book amount	87,483	25,514	39,901	–	–	152,898
Additions	15,354	4,090	34,022	50,000	91,663	195,129
Currency translation difference	118	(475)	843	–	4,712	5,198
Depreciation charge	(55,564)	(25,857)	(42,331)	(10,000)	–	(133,752)
Closing net book amount	<u>47,391</u>	<u>3,272</u>	<u>32,435</u>	<u>40,000</u>	<u>96,375</u>	<u>219,473</u>
As at 31 December 2016 and 1 January 2017						
Cost	325,949	217,693	2,319,021	455,517	96,375	3,414,555
Accumulated depreciation	(278,558)	(214,421)	(2,286,586)	(415,517)	–	(3,195,082)
Net book value	<u>47,391</u>	<u>3,272</u>	<u>32,435</u>	<u>40,000</u>	<u>96,375</u>	<u>219,473</u>
Period ended 30 June 2017						
Opening net book amount	47,391	3,272	32,435	40,000	96,375	219,473
Additions	7,509	–	–	–	–	7,509
Currency translation difference	(629)	–	(1,908)	–	(6,389)	(8,926)
Depreciation charge	(20,588)	(409)	(6,405)	(5,000)	–	(32,402)
Closing net book amount	<u>33,683</u>	<u>2,863</u>	<u>24,122</u>	<u>35,000</u>	<u>89,986</u>	<u>185,654</u>
As at 30 June 2017						
Cost	327,094	208,718	2,165,304	448,257	89,986	3,239,359
Accumulated depreciation	(293,411)	(205,855)	(2,141,182)	(413,257)	–	(3,053,705)
Net book value	<u>33,683</u>	<u>2,863</u>	<u>24,122</u>	<u>35,000</u>	<u>89,986</u>	<u>185,654</u>

For the year ended 31 December 2015, 31 December 2016 and 30 June 2017, depreciation expense amounted to EUR205,914, EUR133,752 and EUR32,402 respectively, of which EUR109,570, EUR42,331 and EUR6,405 has been charged in 'cost of sales', EUR96,344, EUR91,421 and EUR25,997 has been charged in 'administrative expenses'.

## 15 INTANGIBLE ASSETS

	Licensing right EUR	Trademark EUR	Design patent EUR	Domain name and website EUR	Total EUR
<b>At 1 January 2015</b>					
Cost	4,860,530	-	-	-	4,860,530
Accumulated amortisation	(1,350,148)	-	-	-	(1,350,148)
Net book amount	<u>3,510,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,510,382</u>
<b>Year ended</b>					
<b>31 December 2015</b>					
Opening net book amount	3,510,382	-	-	-	3,510,382
Addition	-	-	-	-	-
Amortisation	(270,029)	-	-	-	(270,029)
Currency translation differences	-	-	-	-	-
Closing net book amount	<u>3,240,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,240,353</u>
<b>As at 31 December 2015 and 1 January 2016</b>					
Cost	4,860,530	-	-	-	4,860,530
Accumulated amortisation	(1,620,177)	-	-	-	(1,620,177)
Net book amount	<u>3,240,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,240,353</u>
<b>Year ended</b>					
<b>31 December 2016</b>					
Opening net book amount	3,240,353	-	-	-	3,240,353
Addition	-	1,200,000	10,000	20,000	1,230,000
Amortisation	(270,029)	-	(83)	(165)	(270,277)
Currency translation differences	-	-	-	(3)	(3)
Closing net book amount	<u>2,970,324</u>	<u>1,200,000</u>	<u>9,917</u>	<u>19,832</u>	<u>4,200,073</u>
<b>At 31 December 2016</b>					
Cost	4,860,530	1,200,000	10,000	20,000	6,090,530
Accumulated amortisation	(1,890,206)	-	(83)	(168)	(1,890,457)
Net book amount	<u>2,970,324</u>	<u>1,200,000</u>	<u>9,917</u>	<u>19,832</u>	<u>4,200,073</u>

	Licensing right EUR	Trademark EUR	Design patent EUR	Domain name and website EUR	Total EUR
<b>As at 31 December 2016 and 1 January 2017</b>					
Cost	4,860,530	1,200,000	10,000	20,000	6,090,530
Accumulated amortisation	(1,890,206)	–	(83)	(168)	(1,890,457)
Net book amount	<u>2,970,324</u>	<u>1,200,000</u>	<u>9,917</u>	<u>19,832</u>	<u>4,200,073</u>
<b>Period ended 30 June 2017</b>					
Opening net book amount	2,970,324	1,200,000	9,917	19,833	4,200,074
Amortisation	(135,015)	–	(500)	(1,000)	(136,515)
Currency translation differences	–	(22,037)	(178)	(355)	(22,570)
Closing net book amount	<u>2,835,309</u>	<u>1,177,963</u>	<u>9,239</u>	<u>18,478</u>	<u>4,040,989</u>
<b>At 30 June 2017</b>					
Cost	4,860,530	1,200,000	10,000	20,000	6,090,530
Accumulated amortisation	(2,025,221)	(22,037)	(761)	(1,522)	(2,049,541)
Net book amount	<u>2,835,309</u>	<u>1,177,963</u>	<u>9,239</u>	<u>18,478</u>	<u>4,040,989</u>

For the years ended 31 December 2015 and 31 December 2016 and the six months ended 30 June 2017, amortisation charge amounted to EUR270,029, EUR270,277 and EUR136,515 respectively, of which EUR270,029, EUR270,027 and EUR135,015 has been charged in ‘cost of sales’, nil, EUR250 and EUR1,500 has been charged in “administrative expenses”.

Impairment review on the trademark of the Group has been conducted by the management as at 30 June 2017 and 31 December 2016 according to the HKAS 36 “Impairment of assets”. For the purposes of impairment review, the recoverable amount of the trademark is determined based on value-in-use calculations. The value-in-use calculation use cash flow projections based on business plan for the purposes of impairment reviews covering a ten-year period. The management of the Group used a ten-year period, which takes into account the length of the post projection period for the cash flow forecast will perpetuate, and this shall be achieved by identifying a “steady state” set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period of 5 years from the trademark, the management of the Group considers that the Group’s business on the trademark is expected to reach a steady and stable terminal growth state likely after a 10-year period of gradually declining revenue growth and hence, the management of the Group believes that they are better positioned to forecast cash flows for an extended period over and beyond 5 years.

As at 30 June 2017 and 31 December 2016, key assumptions for trademark used for value-in-use calculations include annual growth rates of approximately 19.5%, operating margin of approximately 6.2% and perpetual growth rate of 3%. As at 30 June 2017 and 31 December 2016, the discount rate used of 15.0% is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The annual growth rates and budgeted operating margin were determined by the management based on the past performance and its expectation for future market development.

The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount. Based on the result of the trademark impairment testing, assuming the annual growth rate during the ten-year period decreased by approximately 6.4% and 5.1%, the estimated recoverable amount would be equal to the carrying amount of the trademark as at 30 June 2017 and 31 December 2016, respectively.

## 16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December		As at
	2015	2016	30 June
	EUR	EUR	2017
			EUR
<b>Assets/(Liabilities)</b>			
Foreign exchange forward contracts	38,778	369,995	(213,046)

The derivative financial instruments mainly consist of the following contracts:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
<i>Foreign exchange forward contracts in respect of EUR against US\$</i>			
– Notional principal amounts	US\$1,280,000	US\$6,800,000	US\$8,800,000
– Maturities as at year end	1 month	Range from 1 month to 11 months	Range from 1 month to 9 months

Derivative financial instruments were carried at fair values.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
<b>Financial assets</b>			
Derivative financial instruments	38,778	369,995	–
<i>Loans and receivables</i>			
Trade receivables	12,297,765	10,906,130	9,585,019
Deposits and other receivables	448,666	768,771	657,790
Pledged bank deposits	1,670,813	2,328,125	2,051,364
Cash and cash equivalents	5,507,198	5,992,129	2,875,308
	<u>19,924,442</u>	<u>19,995,155</u>	<u>15,169,481</u>
	<u>19,963,220</u>	<u>20,365,150</u>	<u>15,169,481</u>
<b>Financial liabilities</b>			
Derivative financial instruments	–	–	(213,046)
<i>Other financial liabilities at amortised cost</i>			
Trade payables	(6,238,906)	(6,954,479)	(4,181,711)
Dividend payable	(1,500,002)	–	–
Accruals of sales rebate	(1,760,891)	(1,433,358)	(734,780)
Other payables	(3,769,461)	(3,483,433)	(3,471,801)
Loans from related parties	–	(989,374)	(985,267)
Bank borrowings	(6,839,866)	(7,681,538)	(6,026,178)
	<u>(20,109,126)</u>	<u>(20,542,182)</u>	<u>(15,399,737)</u>
	<u>(20,109,126)</u>	<u>(20,542,182)</u>	<u>(15,612,783)</u>



## 18 INVENTORIES

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Finished goods	6,567,144	6,961,808	5,929,405

The cost of inventories included in cost of sales during the years ended 31 December 2015 and 2016, and for the six months ended 30 June 2017 amounted to approximately EUR35,923,603, EUR28,506,711 and EUR12,966,815 respectively.

As at 31 December 2015 and 30 June 2017, the Group reversed EUR59,006 and EUR127,390 of previous inventory write-down respectively. The Group has sold all the goods that were written down at original cost. As at 31 December 2016, a provision of EUR27,390 was made as a batch of finished goods with cost of EUR27,390 was considered to be obsolete. The amount provided/(reversed) has been included in "cost of sales" in the combined income statements.

## 19 TRADE RECEIVABLES

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Trade receivables	12,429,372	10,927,155	9,695,038
Less: allowance for impairment of trade receivables	(131,607)	(21,025)	(110,019)
	<u>12,297,765</u>	<u>10,906,130</u>	<u>9,585,019</u>

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

As at 31 December 2015, 31 December 2016 and 30 June 2017, the ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
1 to 30 days	6,612,981	6,824,768	7,273,340
31 to 60 days	2,535,164	545,760	1,123,130
61 to 90 days	1,468,613	2,813,624	361,875
More than 90 days	1,681,007	721,978	826,674
	<u>12,297,765</u>	<u>10,906,130</u>	<u>9,585,019</u>

As at 31 December 2015, 31 December 2016 and 30 June 2017, trade receivables of EUR1,137,318, EUR2,712,236 and EUR1,576,828 were considered past due but not impaired. These relate to customers for whom there are no significant financial difficulties and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables, net of provision, based on due date is as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Past due by:			
1 to 30 days	594,331	2,337,022	775,399
31 to 60 days	536,548	295,922	856
61 to 90 days	920	48,934	157,358
More than 90 days	5,519	30,358	643,215
	<u>1,137,318</u>	<u>2,712,236</u>	<u>1,576,828</u>
	-----	-----	-----

The maximum exposure to credit risk was the carrying amounts of trade receivables.

Movements on the provision for impairment of trade receivables are as follows:

	EUR
At 1 January 2015	1,002
Provision for impairment of trade receivables	<u>130,605</u>
At 31 December 2015 and 1 January 2016	131,607
Reversal of provision for impairment of trade receivables	<u>(110,582)</u>
At 31 December 2016 and 1 January 2017	21,025
Provision for impairment of trade receivables	<u>88,994</u>
At 30 June 2017	<u><u>110,019</u></u>

The carrying amounts of trade receivables approximated their fair values as at 31 December 2015 and 2016, and 30 June 2017, and were denominated in the following currencies:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
US\$	4,830,320	4,145,788	5,460,724
EUR	7,425,058	6,760,342	4,124,295
RMB	42,387	–	–
Total	<u>12,297,765</u>	<u>10,906,130</u>	<u>9,585,019</u>
	-----	-----	-----

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Company had factored trade receivables of EUR6,839,866, EUR6,697,653 and EUR5,094,103 respectively to banks for cash under certain receivables purchase agreements. As the Company still retained the risks and rewards associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 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 25).

**20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	As at 31 December 2015 EUR	2016 EUR	As at 30 June 2017 EUR
Prepayments			
– Professional fee for listing preparation	–	–	157,211
– Others	208,796	117,951	297,460
Deposits	111,368	117,145	112,285
Other receivables			
– VAT receivables	–	99,073	1,844
– Others ( <i>Note</i> )	337,298	651,626	545,505
	-----	-----	-----
	657,462	985,795	1,114,305
	-----	-----	-----
Less: non-current deposit	(67,617)	(69,239)	(16,683)
	-----	-----	-----
Current portion	589,845	916,556	1,097,622
	=====	=====	=====

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

The carrying amounts of deposits and other receivables approximated their fair values as at 31 December 2015, 31 December 2016 and 30 June 2017.

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group did not hold any collateral as security.

**21 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS**

	As at 31 December 2015 EUR	2016 EUR	As at 30 June 2017 EUR
Cash on hand	2,624	2,093	1,356
Cash at bank	5,504,574	5,990,036	2,873,952
	-----	-----	-----
Cash and cash equivalents	5,507,198	5,992,129	2,875,308
	-----	-----	-----
Pledged bank deposits	1,670,813	2,328,125	2,051,364
	-----	-----	-----
	7,178,011	8,320,254	4,926,672
	=====	=====	=====
Maximum exposure to credit risk	7,175,387	8,318,161	4,925,316
	=====	=====	=====

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

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
HK\$	61,192	173,297	353,925
US\$	4,600,926	5,986,260	3,043,888
RMB	322,058	336,688	56,354
EUR	2,191,194	1,765,127	1,377,928
Others	2,641	58,882	94,577
	<u>7,178,011</u>	<u>8,320,254</u>	<u>4,926,672</u>

Note: As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group's bank deposits of approximately EUR1,670,813, EUR2,328,125 and EUR2,051,364 were pledged as collateral for bank facilities.

## 22 PAID-IN CAPITAL

Paid-in capital represented the share capital of Atlinks Holdings Limited.

## 23 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date as at 31 December 2015, 31 December 2016 and 30 June 2017 were as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
0 – 30 days	2,448,045	2,591,008	1,753,022
31 – 60 days	1,892,067	2,078,728	1,904,287
61 – 90 days	1,866,179	2,284,743	524,402
Over 90 days	32,615	–	–
	<u>6,238,906</u>	<u>6,954,479</u>	<u>4,181,711</u>

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

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
US\$	6,201,398	6,954,479	4,149,196
RMB	37,508	–	32,515
	<u>6,238,906</u>	<u>6,954,479</u>	<u>4,181,711</u>

## 24 ACCRUALS, PROVISION AND OTHER PAYABLES

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Accruals for operating expenses			
– Professional fee for listing preparation	–	–	159,017
– Others	3,276,264	2,808,766	2,499,692
Accruals of sales rebate	1,760,891	1,433,358	734,780
License fee payable ( <i>Note</i> )	3,769,461	3,483,433	3,471,801
Other payables	844,627	674,678	507,932
Provision	460,763	447,852	423,357
	<u>10,112,006</u>	<u>8,848,087</u>	<u>7,796,579</u>
Less: non-current payable ( <i>Note</i> )	<u>(3,422,889)</u>	<u>(3,177,554)</u>	<u>(3,050,637)</u>
Current portion	<u>6,689,117</u>	<u>5,670,533</u>	<u>4,745,942</u>

*Note:* License payable represents the minimum licence fee payable to Alcatel Lucent for the right to use the brand name “Alcatel” for the licence period up to 31 December 2027.

Movements on the provision are as follows:

	EUR
At 1 January 2015	513,482
Provision for warranty	256,515
Utilisation of warranty	(334,422)
Currency translation difference	25,188
	<u>460,763</u>
At 31 December 2015 and 1 January 2016	460,763
Provision for warranty	79,179
Utilisation of warranty	(98,187)
Currency translation difference	6,097
	<u>447,852</u>
At 31 December 2016 and 1 January 2017	447,852
Provision for warranty	72,616
Utilisation of warranty	(84,761)
Currency translation difference	(12,350)
	<u>423,357</u>
At 30 June 2017	<u>423,357</u>

The carrying amounts of accruals and other payables approximated their fair values as at 31 December 2015, 31 December 2016 and 30 June 2017.

## 25 BORROWINGS

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Factoring loans	6,839,866	6,681,538	5,058,580
Bank borrowings	–	1,000,000	967,598
	<u>6,839,866</u>	<u>7,681,538</u>	<u>6,026,178</u>

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group had total banking facilities of EUR12,031,426, EUR11,559,947 and EUR9,159,540 of which EUR5,191,560, EUR3,878,409 and EUR3,133,362 borrowings were unutilised respectively.

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

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Pledged bank deposits	1,670,813	2,328,125	2,051,364
Trade receivables	6,839,866	6,697,653	5,094,103
Corporate guarantee (provided by Atlinks Holdings Limited)	5,980,000	5,225,000	4,895,000
	<u>14,490,679</u>	<u>14,250,778</u>	<u>12,040,467</u>

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

The effective interest rates per annum of the Group's borrowings as at 31 December 2015, 31 December 2016 and 30 June 2017 were 1.0%, 1.2% and 1.8% respectively.

The borrowings were repayable as follows:

	2015	2016	2017
	EUR	EUR	EUR
Within 1 year or repayable on demand	<u>6,839,866</u>	<u>7,681,538</u>	<u>6,026,178</u>

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

	2015	2016	2017
	EUR	EUR	EUR
Within 1 year	6,839,866	7,681,538	5,482,113
Between 1 and 2 years	–	–	142,625
Between 2 and 5 years	–	–	401,440
	<u>6,839,866</u>	<u>7,681,538</u>	<u>6,026,178</u>

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

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

	<b>2015</b> <i>EUR</i>	<b>2016</b> <i>EUR</i>	<b>2017</b> <i>EUR</i>
EUR	6,839,866	7,624,097	4,917,503
US\$	–	57,441	1,108,675
	<u>6,839,866</u>	<u>7,681,538</u>	<u>6,026,178</u>

## 26 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The analysis of deferred income tax assets and liabilities is as follows:

	<b>As at 31 December</b> <b>2015</b> <i>EUR</i>	<b>2016</b> <i>EUR</i>	<b>As at 30 June</b> <b>2017</b> <i>EUR</i>
Deferred income tax assets:			
– to be recovered after more than 12 months	1,305,089	1,175,364	1,247,922
– to be recovered within 12 months	<u>3,053</u>	<u>27,611</u>	<u>90,485</u>
	----- 1,308,142	----- 1,202,975	----- 1,338,407
Deferred income tax liabilities:			
– to be recovered after more than 12 months	(8,472)	(4,266)	(6,622)
– to be recovered within 12 months	<u>(14,934)</u>	<u>(133,123)</u>	<u>(44,302)</u>
	----- (23,406)	----- (137,389)	----- (50,924)
Deferred income tax assets, net	<u>1,284,736</u>	<u>1,065,586</u>	<u>1,287,483</u>

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

	<i>EUR</i>
At 1 January 2015	1,223,861
Credited to the combined income statement ( <i>Note 12</i> )	58,101
Charged to other comprehensive income	(3,925)
Currency translation difference	<u>6,699</u>
At 31 December 2015	1,284,736
Charged to the combined income statement ( <i>Note 12</i> )	(223,534)
Credited to other comprehensive income	2,759
Currency translation difference	<u>1,625</u>
At 31 December 2016	1,065,586
Credited to the combined income statement ( <i>Note 12</i> )	230,228
Charged to other comprehensive income	(4,459)
Currency translation difference	<u>(3,872)</u>
At 30 June 2017	<u>1,287,483</u>

The movements in deferred income tax assets and liabilities during the Track Record Period, after taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax depreciation <i>EUR</i>	Provision for product warranty <i>EUR</i>	Fair value change of derivative financial instruments <i>EUR</i>	Tax losses <i>EUR</i>	Provision for retirement benefit <i>EUR</i>	Unrealised currency difference on foreign currency <i>EUR</i>	Total <i>EUR</i>
As at 1 January 2015	47,272	3,496	(209,790)	1,215,348	97,761	69,774	1,223,861
(Charged)/credited to the combined income statement	(49,712)	39,026	196,864	(66,712)	7,364	(68,729)	58,101
Credited to other comprehensive income	-	-	-	-	(3,925)	-	(3,925)
Currency translation differences	5,400	1,299	-	-	-	-	6,699
As at 31 December 2015 and 1 January 2016	2,960	43,821	(12,926)	1,148,636	101,200	1,045	1,284,736
Credited/(charged) to the combined income statement	9,184	(7,558)	(110,406)	(139,221)	7,692	16,775	(223,534)
Credited to other comprehensive income	-	-	-	-	2,759	-	2,759
Currency translation differences	620	1,005	-	-	-	-	1,625
As at 31 December 2016 and 1 January 2017	12,764	37,268	(123,332)	1,009,415	111,651	17,820	1,065,586
Credited/(charged) to the combined income statement	1,529	7,779	194,347	65,516	3,709	(42,652)	230,228
Charged to other comprehensive income	-	-	-	-	(4,459)	-	(4,459)
Currency translation differences	(1,108)	(2,764)	-	-	-	-	(3,872)
As at 30 June 2017	13,185	42,283	71,015	1,074,931	110,901	(24,832)	1,287,483

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group had no material unrecognised deferred tax assets in respect of any tax losses.



## 27 CASH GENERATED FROM/(USED IN) OPERATIONS

## (a) Cash generated from/(used in) operation

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR (Unaudited)	2017 EUR
Profit/(loss) before income tax	1,685,108	1,852,665	415,842	(500,912)
Adjustments for:				
Depreciation of property, plant and equipment	205,914	133,752	77,475	32,402
Provision/(reversal) for impairment of trade receivables	130,605	(110,582)	–	88,994
(Reversal)/provision for inventories	(59,006)	27,390	(58,418)	(127,390)
Amortisation of intangible assets	270,029	270,277	135,015	136,515
Loss/(gain) on derivative financial instruments	590,591	(331,217)	(255,285)	583,041
Provision for product warranty	256,515	79,179	87,071	72,616
Finance costs, net	336,231	322,669	151,369	200,942
Operating profit before working capital changes	3,415,987	2,244,133	553,069	486,208
Changes in working capital:				
Inventories	(681,795)	(410,344)	(377,340)	1,133,234
Trade receivables	(1,798,551)	1,697,949	4,110,219	732,426
Prepayments, deposits and other receivables	162,999	(326,346)	169,891	21,209
Trade payables	(10,288)	491,748	(1,736,621)	(2,402,390)
Accruals, provisions and other payables	(301,229)	(1,331,004)	(1,233,500)	(1,032,411)
Cash generated from/(used in) operations	787,123	2,366,136	1,485,718	(1,061,724)

## (b) Reconciliation of liabilities arising from financing activities

	Borrowings EUR	Pledged bank deposit EUR	Loans from related parties EUR	Dividend payable	Total EUR
As at 1 January 2015	7,028,733	(1,763,977)	–	–	5,264,756
Addition	–	–	–	2,466,500	2,466,500
Cash in/(out) flows	(189,008)	194,642	–	(966,498)	(960,864)
Foreign exchange movement	141	(101,478)	–	–	(101,337)
As at 31 December 2015 and 1 January 2016	6,839,866	(1,670,813)	–	1,500,002	6,669,055
Cash in/(out) flows	838,864	(607,706)	474,368	(984,996)	(279,470)
Non-cash change	–	–	515,006	(515,006)	–
Foreign exchange movement	2,808	(49,606)	–	–	(46,798)
As at 31 December 2016 and 1 January 2017	7,681,538	(2,328,125)	989,374	–	6,342,787

	<b>Borrowings</b> <i>EUR</i>	<b>Pledged bank deposit</b> <i>EUR</i>	<b>Loans from related parties</b> <i>EUR</i>	<b>Dividend payable</b>	<b>Total</b> <i>EUR</i>
(Unaudited)					
As at 1 January 2016	6,839,866	(1,670,813)	–	1,500,002	6,669,055
Cash in/(out) flows	(1,451,462)	(668,637)	–	(479,998)	(2,600,097)
Non-cash change	–	–	–	–	–
Foreign exchange movement	(1,087)	38,219	–	–	37,132
As at 30 June 2016	5,387,317	(2,301,231)	–	1,020,004	4,106,090
As at 1 January 2017	7,681,538	(2,328,125)	989,374	–	6,342,787
Cash in/(out) flows	(1,610,203)	181,924	(4,107)	–	(1,432,386)
Foreign exchange movement	(45,157)	94,837	–	–	49,680
As at 30 June 2017	<u>6,026,178</u>	<u>(2,051,364)</u>	<u>985,267</u>	<u>–</u>	<u>4,960,081</u>

## 28 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 combined statements of financial position are determined as follows:

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Present value of unfunded obligation	303,600	334,954	332,704
Liability in the combined statements of financial position	<u>303,600</u>	<u>334,954</u>	<u>332,704</u>

The amounts recognised in the combined income statements are as follows:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Current service cost	17,693	17,299	9,045
Total expenses, included in employee benefit expenses ( <i>Note 9</i> )	<u>17,693</u>	<u>17,299</u>	<u>9,045</u>
Interest expense	4,399	5,779	2,082
Total expenses, included in finance cost, net ( <i>Note 11</i> )	<u>4,399</u>	<u>5,779</u>	<u>2,082</u>

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

	Year ended 31 December		Six months ended 30 June
	2015	2016	2017
	EUR	EUR	EUR
At the beginning of the year/period	293,283	303,600	334,954
Current service cost	17,693	17,299	9,045
Interest expense	4,399	5,779	2,082
Remeasurement arising from experience adjustment and changes in actuarial assumptions	(11,775)	8,276	(13,377)
As at end of the year/period	<u>303,600</u>	<u>334,954</u>	<u>332,704</u>

The significant actuarial assumptions as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	EUR	EUR	EUR
Discount rate	2.00%	1.30%	1.65%
Inflation	2.00%	2.00%	2.00%
Salary growth rate	2.50%	2.50%	2.50%

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

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

	Impact on defined benefit obligation
<b>For the year ended 31 December 2015</b>	
– If discount rate increases by 0.25%	Decrease by 3.1%
– If discount rate decreases by 0.25%	Increase by 3.3%
<b>For the year ended 31 December 2016</b>	
– If discount rate increases by 0.25%	Decrease by 2.9%
– If discount rate decreases by 0.25%	Increase by 3.0%
<b>For the six months ended 30 June 2017</b>	
– If discount rate increases by 0.25%	Decrease by 2.8%
– If discount rate decreases by 0.25%	Increase by 2.9%

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 combined statements of financial position.

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

## 29 CONTINGENCIES

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group did not have any significant contingent liabilities.

**30 COMMITMENTS****(a) Capital commitments**

As at 31 December 2015, 31 December 2016 and 30 June 2017, the Group had no commitment for capital expenditure.

**(b) Operating lease commitments – as lessee**

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

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
No later than one year	189,375	232,823	239,078
Later than one year and no later than five years	266,920	343,367	266,920
	<u>456,295</u>	<u>576,190</u>	<u>505,998</u>

**31 RELATED PARTY TRANSACTIONS**

For the purposes of this Historical Financial Information, 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 2015 and 2016 and the six months ended 30 June 2016 and 2017:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Talent Ocean Holdings Limited	Ultimate Holding Company
Argento Investments Limited	Minority shareholder and controlled by the Chief Executive Officer of the Group
Mr. Jean-Alexis René Robert Duc	Minority shareholder and the Managing Director of the Group
Ms. Dora Ho	Minority shareholder and the Chief Financial Officer of the Group
KooKum Services	Controlled by the direct family member of the Chief Executive Officer of the Group

**(a) Significant related party transactions**

The following transactions were carried out with related parties during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Consultation fee charged by a related party – KooKum Services	17,100	16,700	6,200	5,580
	<u>17,100</u>	<u>16,700</u>	<u>6,200</u>	<u>5,580</u>

**(b) Key management 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:

	Year ended 31 December		Six months ended 30 June	
	2015 EUR	2016 EUR	2016 EUR <i>(Unaudited)</i>	2017 EUR
Basic salaries, allowances and benefits	636,236	644,500	317,398	307,557
Discretionary bonuses	338,679	223,612	118,619	148,431
Defined contribution pension costs	83,957	76,507	43,611	43,994
Defined benefit pension costs	1,097	1,136	524	667
	<u>1,059,969</u>	<u>945,755</u>	<u>480,152</u>	<u>500,649</u>

**(c) Balances with related parties**

	As at 31 December		As at 30 June	
	2015 EUR	2016 EUR	2016 EUR	2017 EUR
Loans from shareholders				
– Talent Ocean Holdings Limited <i>(Note)</i>	–	754,713	754,713	753,082
– Argento Investments Limited <i>(Note)</i>	–	119,043	119,043	118,786
– Jean-Alexis René Robert Duc <i>(Note)</i>	–	80,398	80,398	78,255
– Ho Dora <i>(Note)</i>	–	35,220	35,220	35,144
	<u>–</u>	<u>989,374</u>	<u>989,374</u>	<u>985,267</u>

*Note:* The balances were non-trade in nature, unsecured, interest bearing at 5% per annum and repayable on demand and will be fully settled prior to listing.

The carrying amount of loans from related parties approximated their fair values. The balances were denominated in EUR.

**32 DIVIDEND**

The dividend payable was unsecured, interest-free, repayable on demand and denominated in EUR. Its carrying amount approximated its fair value at 31 December 2015.

No dividend has been paid or declared by the Company during the Track Record Period as the Company had not been incorporated.

**33 SUBSEQUENT EVENTS**

The following significant events took place subsequent to 30 June 2017:

- (i) On 21 December 2017, the Group completed the Reorganisation (Note 1.2).
- (ii) By a shareholders' resolution dated 21 December 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 3,962,000,000 shares, credited as fully paid, to the existing shareholders of the Company.

**III HISTORICAL FINANCIAL INFORMATION OF THE COMPANY**

As at 30 June 2017, the Company had not been incorporated and, accordingly, it had no assets, liabilities and distributable reserves as at that date.

**IV SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer and the Capitalisation Issue on the net tangible assets of our Group attributable to the owners of the Company as of 30 June 2017 as if the Share Offer and the Capitalisation Issue had taken place on 30 June 2017 assuming the over-allotment option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 June 2017 or at any future dates following the Share Offer and the Capitalisation Issue. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of our Group attributable to owners of the Company as at 30 June 2017 <i>(Note 1)</i> EUR	Estimated net proceeds from the Share Offer <i>(Note 2)</i> EUR	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 30 June 2017 EUR	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share as at 30 June 2017	
				<i>(Note 3)</i> EUR	<i>(Note 5)</i> HK\$
Based on an Offer Price of HK\$0.5 per Share	3,318,018	3,515,074	6,833,092	0.02	0.15
Based on an Offer Price of HK\$0.9 per Share	3,318,018	7,835,074	11,153,092	0.03	0.24

*Notes:*

- (1) The audited combined net tangible assets attributable to owners of the Company as at 30 June 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to owners of the Company as at 30 June 2017 of EUR7,359,007 with an adjustment for the intangible assets as at 30 June 2017 of EUR4,040,989.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.5 and HK\$0.9 per Share after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of EUR490,119 which have been charged to combined income statement up to 30 June 2017) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue has been completed on 30 June 2017 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2017.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Euros are converted into Hong Kong dollars at a rate of EUR1 to HK\$8.75. No representation is made that Euro amounts have been could have been or may be converted to Hong Kong dollars or vice versa, at that rate.



**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*To the Directors of Atlinks Group Limited*

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Atlinks Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2017, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 30 December 2017, in connection with the proposed share offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group’s financial position as at 30 June 2017 as if the proposed share offer had taken place at 30 June 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the period ended 30 June 2017, on which an accountant’s report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 30 December 2017

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
  
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 21 December 2017 and will become effective upon the Listing. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such

separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors****(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

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 has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.



The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share

which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;  
or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.



(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 3 August 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).



**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 August 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 8 September 2017 and our principal place of business in Hong Kong is at Unit 2208, 22/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong. CFN Lawyers in association with Broad & Bright of Room 4101 to 4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 3 August 2017, which was subsequently transferred to Eiffel Global on the same date.
- (b) On 21 December 2017, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$40,000,000 by the creation of 3,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Immediately following completion of the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 3,600,000,000 Shares will remain unissued.
- (d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 21 December 2017” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (e) Save as disclosed in the section headed “Share Capital” and “History, Development and Reorganisation” to this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

**3. Written resolutions of our sole Shareholder passed on 21 December 2017**

On 21 December 2017, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Division granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) conditional further on the share premium account of our Company being credited, our Directors were authorised to capitalise HK\$2,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,990,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

- (d) general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when the Repurchase Mandate (as defined below) is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate Reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraphs headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

##### ***(a) Provisions of the GEM Listing Rules***

The GEM Listing Rules permit companies with a primary listing in GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

##### ***(i) Shareholders’ approval***

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a specific transaction.



*Note:* Pursuant to the written resolutions passed by our sole Shareholder on 21 December 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

*(ii) Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

*(c) Exercise of the Repurchase Mandate*

On the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

*(d) Funding of repurchase*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:



- (a) the Alcatel Mark license agreement dated 5 January 2010 entered into between Alcatel Lucent and Atlinks Group (as amended by a first amendment to the Alcatel Mark license agreement dated 27 September 2012 entered into between Alcatel Lucent and Atlinks Group, a transfer and second amendment to the Alcatel Mark license agreement dated 12 December 2013 entered into between Alcatel Lucent, Atlinks Group and Atlinks Holdings Limited, and a third amendment to the Alcatel Mark license agreement dated 24 January 2017 entered into between Alcatel Lucent and Atlinks Holdings Limited);
- (b) the shareholders agreement for Atlinks Enterprise Limited dated 12 September 2016 entered into between Atlinks Holdings Limited and HK Sipall Limited to set up Atlinks Enterprise Limited by which Atlinks Holdings Limited and HK Sipall Limited holds 51% and 49% respective shareholding of Atlinks Enterprise Limited;
- (c) the asset purchase agreement dated 24 November 2016 entered into between Atlinks (Suisse) SA, Atlinks Europe and Atlinks Asia Ltd as buyer and Swissvoice SA as seller at a purchase price of EUR1,348,130 for the acquisition of its tangible and intangible assets, details of which are set out in the section headed “Business – Acquisition of the Swissvoice brand” in this prospectus;
- (d) a share swap deed dated 21 December 2017 entered into by Eiffel Global Limited, Atlinks Group Limited, Talent Ocean Holdings Limited and Chu Lam Fong in relation to the transfer of the entire issued share capital of Atlinks Industries Limited to the Company;

- (e) the Deed of Non-competition dated 21 December 2017 given by Eiffel Global Limited, Talent Ocean Holdings Limited, Argento Investments Limited, Ho Dora, Jean-Alexis René Robert Duc, Chu Lam Fong and Didier Paul Henri Goujard in favour of Atlinks Group Limited (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationship with our Controlling Shareholders” in this prospectus;
- (f) the Deed of Indemnity dated 21 December 2017 given by Eiffel Global Limited, Talent Ocean Holdings Limited, Argento Investments Limited, Ho Dora, Jean-Alexis René Robert Duc, Chu Lam Fong and Didier Paul Henri Goujard in favour of Atlinks Group Limited (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix; and
- (g) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks that is considered to be or may be material to our business and with which we conduct the majority of our business:

Trademark	Class	Trade Mark No	Registered date	Expiry Date	Country	Registered Owners
ATLINKS	9	004316824	18-Apr-2006	2-Mar-2025	European Union	ATL Europe
ATLINKS	9, 38	2001B5971AA	31-Dec-1999	31-Dec-2026	Hong Kong	ATL Europe
 ATLINKS	9	004316972	18-Apr-2006	2-Mar-2025	European Union	ATL Europe
 ATLINKS	9, 16, 35, 38	737530	17-Jul-2000	17-Jul-2020	OMPI/WIPO	ATL Europe
TEMPORIS	9	005927538	23-Jan-2008	11-May-2027	European Union	ATL Europe
TEMPORIS	9	596432	2-Feb-1993	2-Feb-2023	OMPI/WIPO	ATL Europe
SWISSVOICE	9, 37, 38, 41, 42	492495	10-Dec-2001	4-Oct-2021	Switzerland	ATL Suisse
SWISSVOICE	9	301544436	12-Feb-2010	11-Feb-2020	Hong Kong	ATL Suisse
SWISSVOICE	9, 37, 38, 41, 42	772985	10-Dec-2001	10-Dec-2021	WIPO	ATL Suisse

Trademark	Class	Trade Mark No	Registered date	Expiry Date	Country	Registered Owners
ePure	9	302066120	24-Oct-2011	23-Oct-2021	Hong Kong	ATL Suisse
ePure	9	009087263	26-Oct-2010	7-May-2020	European Union	ATL Suisse
ePure	9	1041475	31-May-2010	31-May-2020	WIPO	ATL Suisse

**(b) Domain names**

As at the Latest Practicable Date, our Group has registered the following domain names that is considered to be or may be material to our business and with which we conduct the majority of our business:

Domain Name	Owner	Registrar	End of Reservation date
atlinks.net	ATL Europe	CSC	6 January 2018
atlinks.fr	ATL Europe	CSC	28 June 2018
atlinks.eu	ATL Europe	INDOMCO	30 June 2018
atlinks.com	ATL Europe	CSC	29 September 2018
swissvoice.net	ATL Suisse	Gandi SAS	19 October 2018
swissvoice.fr	ATL Suisse	Gandi SAS	20 October 2018
swissvoice.de	ATL Suisse	Gandi SAS	17 November 2018

**(c) Registered Designs**

As at the Latest Practicable Date, our Group has registered the following registered designs that is considered to be or may be material to our business with which we conduct the majority of our business:

Registration/ Design Number	Registered Design	Registered Owner	Application Date	Place of Application	Duration
1301669.4M001	Twin-set telephone	ATL Asia	27 September 2013	Hong Kong	5 years
1400515.9	Telephone	ATL Asia	21 March 2014	Hong Kong	5 years
1301669.4M002	Telephone	ATL Asia	27 September 2013	Hong Kong	5 years

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of interests**

*(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Share Offer or upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to 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 will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Goujard (Note 2)	Eiffel Global	Interest in a controlled corporation	1,183 ordinary shares	11.83%
Mr. Duc (Note 3)	Eiffel Global	Beneficial owner	967 ordinary shares	9.67%
Ms. Ho (Note 3)	Eiffel Global	Beneficial owner	350 ordinary shares	3.5%
Mr. Long (Note 3)	Our Company	Interest of spouse	300,000,000 ordinary shares	75%
	Eiffel Global	Interest of spouse	7,500 ordinary shares	75%
	TOHL	Interest of spouse	1,000 ordinary shares	100%

*Notes:*

- (1) All interests stated are long positions.
- (2) These Shares were held by AIL, which is wholly-owned by Mr. Goujard.
- (3) These Shares were held by Eiffel Global, which was in turn owned as to 75% by TOHL, 11.83% by AIL, 9.67% by Mr. Duc and 3.5% by Ms. Ho. TOHL is wholly-owned by 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.

**(b) Interests of substantial and other Shareholders in our Shares and underlying Shares**

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Underlying Shares (Note 1)	Percentage of shareholding
Eiffel Global	Beneficial Owner	300,000,000 Shares	75%
TOHL (Note 2)	Interest of a controlled corporation	300,000,000 Shares	75%
Ms. Chu (Note 2)	Interest of a controlled corporation	300,000,000 Shares	75%

*Notes:*

- (1) All interests stated are long positions.
- (2) These Shares were held by Eiffel Global, which was in turn owned as to 75% by TOHL, 11.83% by AIL, 9.67% by Mr. Duc and 3.5% by Ms. Ho. TOHL was wholly-owned by Ms. Chu.

**2. Particulars of service agreements**

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

**3. Remuneration of Directors**

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 were approximately EUR1.06 million, EUR0.95 million and EUR0.50 million, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK\$4.68 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

**Executive Director(s)**

Mr. Goujard	HK\$ 2,100,000
Mr. Duc	EUR 90,696
Ms. Ho	HK\$ 1,336,400
Mr. Long Shing	HK\$ 396,500

**Non-executive Director**

Mr. Long	nil
Mr. Long Fung	nil

**Independent non-executive Directors**

Mr. Yiu Chun Kit	HK\$ 120,000
Ms. Lam Lai Ting Maria Goretti	HK\$ 120,000
Ms. Chan Cheuk Man Vivian	HK\$ 120,000

- (d) Each of our Directors has entered into a service contract or an appointment letter with our Company which is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

**4. Fees or commission received**

Save as disclosed in the section headed “Underwriting” in this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 31 to the Accountant’s Report set out in Appendix I to this prospectus.



**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “Further information about our Company” in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date; and
- (i) there are no arrangements under which future dividends are waived or agree to be waived.

#### **D. SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme on 21 December 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

##### **1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	21 December 2017, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

## 2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 21 December 2017:

### *(a) 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 our Group and to promote the success of the business of our Group.

### *(b) 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 our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) 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 our 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 our Group.

### *(c) Price of Shares*

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 our 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. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

### *(d) 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 our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate 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 our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

*(f) Maximum entitlement of each participant*

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 our 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, our 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 our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(g) Grant of options to certain connected persons*

- i. Any grant of an option to a Director, chief executive or substantial Shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1% of our Shares in issue;
  - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner; and

- (c) such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

***(h) Restrictions on the times of grant of options***

- (i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM Listing Rules),
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
  - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(i) 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 our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

***(j) Performance targets***

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

***(k) Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

***(l) Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

***(m) Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

***(n) Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

***(o) Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

***(p) Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

***(q) Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

***(r) Rights on winding-up***

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s))



shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(s) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of our officers.

***(t) Lapse of options***

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

***(u) Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

***(v) 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.

*(w) Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

*(x) Termination to the Share Option Scheme*

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(y) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Division granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**3. Present status of the Share Option Scheme**

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

## E. OTHER INFORMATION

### 1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity referred to in the paragraph headed “B. Further information about our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands judgments and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which our Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 30 June 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

### 2. Litigation

Our Director confirmed that as at the Latest Practicable Date, save as disclosed in the paragraph headed “Business – Legal proceedings” of this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

### 3. Sponsor

The Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor's fees are HK\$5.21 million and are payable by our Company.

### 4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$43,000 and are payable by our Company.

### 5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

### 6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Lego Corporate Finance Limited	A licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal advisers as to Cayman Islands
Frost and Sullivan	Industry Consultant
Hogan Lovells	Legal advisers as to International Sanctions laws
Mr. Leung Wai-Keung, Richard	Barrister-at-law in Hong Kong
Shu Jin Law Firm	Qualified PRC lawyers
Baudouin Gogny-Goubert	France attorneys-at-law
Iván Pérez Hernando	Spain attorneys-at-law
Des Gouttes & Associés	Switzerland attorneys-at-law
Counselors International Abogados, S.C.	Mexico attorneys-at-law

**7. Consents of experts**

Each of the experts above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letters and/or reports and/or valuation certificates and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

**10. Material adverse change**

Our Directors confirm, save for the matters disclosed in the section headed "Financial Information – Recent developments and Material adverse change" of this prospectus, that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

**11. Taxation of holders of Shares****(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**12. Miscellaneous**

1. Save as disclosed in this prospectus:

(a) Within the two years immediately preceding the date of this prospectus:

- (i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
- (iii) no commission has been paid or is payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;

(c) none of the experts:

- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

- (d) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (e) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Group has no outstanding convertible debt securities; and
- (h) the English text of this prospectus shall prevail over the Chinese text.

### **13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).



**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) copies of the written consents referred in “E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in “B. Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Room 4101 to 4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers in respect of the historical financial information for each of the two years ended 31 December 2016 and the six months ended 30 June 2017, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II of this prospectus;
- (d) the audited combined financial statements of our Group for each of the two years ended 31 December 2016 and the six months ended 30 June 2017;
- (e) the Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the legal opinion issued by the Hong Kong Legal Counsel dated 30 December 2017;
- (h) the legal opinion issued by the Spanish Legal Adviser dated 30 December 2017;
- (i) the legal opinion issued by the Mexican Legal Adviser dated 30 December 2017;
- (j) the legal opinion issued by the Swiss Legal Adviser dated 30 December 2017;
- (k) the legal opinion issued by the French Legal Adviser dated 30 December 2017;

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**APPENDIX V            DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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- (l) the legal opinion issued by the PRC Legal Adviser dated 30 December 2017;
- (m) the international sanctions memorandum issued by the International Sanctions Legal Advisers dated 30 December 2017;
- (n) the material contracts referred to in “B. Further information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (o) the written consents referred to in “E. Other Information – 7. Consents of experts” in Appendix IV to this Prospectus;
- (p) the rules of the Share Option Scheme;
- (q) the Frost & Sullivan Report prepared by Frost and Sullivan dated 30 December 2017; and
- (r) the service agreements referred to in “Statutory and General Information – C. Further information about substantial shareholders, directors and experts – 3. Remuneration of Directors” in Appendix IV to this prospectus.

**ATLINKS GROUP LIMITED**