ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8043

ANNUAL REPORT
2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

Content

Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Mr. Long Hak Kan
Mr. Long Fung

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Ho Dora

COMPLIANCE OFFICER

Ms. Ho Dora

AUTHORISED REPRESENTATIVES

Mr. Didier Paul Henri Goujard
Ms. Ho Dora

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2208, 22/F, Delta House, 3 On Yiu Street, Shatin, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

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

LEGAL ADVISER TO THE COMPANY

(as to the laws of Hong Kong)
CFN Lawyers
Room 4101-4104, 41/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

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

STOCK CODE

8043

COMPANY'S WEBSITE

www.atlinks.com

Chairman’s Statement

Dear shareholders,

On behalf of the board of Directors (the “**Board**”) of Atlinks Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”. We are pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 December 2017 (hereafter referred as the “**Financial Year**”).

OVERVIEW

The revenue of the Group decreased in 2017 mainly due to the decrease in revenue generated in Latin America as a result of the massive earthquakes in Mexico in September 2017.

PROSPECT

Our business objectives are to stabilize our home and business telecommunication products and to grow other product categories, which are the business phones and products/services for the elderly market. We are especially excited to have the resources now to focus and develop products and the market for the elderly. According to the World Health Organization, by 2050, the world’s population of 60+ years will nearly double (from 12-22%). Especially in Europe where we already have a dominant position, the purchasing power of people aged 65 and over is one of the highest among other regions. Not only is this a growing market for us but for the past years, we have researched in detail the uses of electronic and communication products by this group of people and have been developing products to cater for their needs and provide them with convenient means to communicate with their families and friends. Thus, in 2018, many of our senior products will be launched.

We plan also to diversify our geographical source of revenue by developing our presence in Europe by targeting the telecommunications market in Germany as the first objective. At the same time we have to consolidate our position in France which is our main market today, by reinforcing our internet sales and signing major contracts with the large retail chains.

APPRECIATION

I would like to take this opportunity to thank our management team for their commitment, diligence and real hard work for the past year in dealing with the daily operations in a competitive market environment and at the same time being able to navigate the IPO process smoothly. I would also like to thank our business partners for their continual support in our business. Finally, I would also like to thank all our shareholders and investors for their support to the Group.

Long Hak Kan
Chairman

23 March 2018

BUSINESS ACTIVITIES

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

We derive our revenues 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.

BUSINESS REVIEW AND OUTLOOK

The Group's revenues decreased from approximately EUR40.6 million for the year ended 31 December 2016 to approximately EUR35.8 million for the year 31 December 2017, representing a decrease of approximately 11.6%. Such decrease was mainly due to the drop of our business in Latin America as a result of the massive earthquakes in Mexico in September 2017.

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

	Year ended 31 December			
	2017		2016	
	EUR'000	**% of total revenue**	EUR'000	% of total revenue
Home telephone	**30,185**	**84.3%**	34,600	85.4%
Office telephone	**4,426**	**12.3%**	4,887	12.0%
Others *(Note)*	**1,231**	**3.4%**	1,073	2.6%
Total	**35,842**	**100.0%**	40,560	100.0%

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

The drop of the home telephone segment of approximately EUR4.4 million is mainly due to the drop of the home telephone sales in Latin America. The home telephone segment represents approximately 84.3% of our total revenue.

The Group's sales of office telephones decreased in 2017 due to the late introduction of the new range of IP phone with colour display under the "Swissvoice" brand at competitive price. The management expects these new lineup will boost our office telephone revenue in 2018.

The sales of IP conference device, IP cameras, monitoring products and smart products has grown by approximately 14.7%, mainly attributable to conference device. This category is expected to grow at a relatively fast rate in 2018 with the launch of the Swissvoice products dedicated to the elderly in the second quarter of 2018.

The Group's gross profit remained relatively stable at approximately 28.6% in 2017 as compared to that of approximately 28.4% in 2016.

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

	Year ended 31 December			
	2017		2016	
	EUR'000	**% of revenue**	EUR'000	% of revenue
France	**19,653**	**54.9%**	21,223	52.3%
Latin America *(Note 2)*	**5,440**	**15.2%**	9,350	23.1%
Other European countries *(Note 3)*	**6,289**	**17.5%**	6,527	16.1%
APAC/Russia/MEA *(Note 4)*	**4,460**	**12.4%**	3,460	8.5%
Total	**35,842**	**100.0%**	40,560	100.0%

Notes:

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

Our sales to France represented approximately 54.9% of our total revenue for the year ended 31 December 2017 as compared to that of approximately 52.3% for the year ended 31 December 2016. The decrease in revenue was mainly attributable to the general decrease in the sales of home telephone products in European countries.

As mentioned above, due to the general decrease in the sales of home telephone products in European countries, our sales to other European countries also dropped.

Our sales to Latin America in 2017 has decreased more than the sales to other regions. Such decrease was mainly due to the impact of the massive earthquakes in Mexico in September 2017.

The Group recorded favourable results from Asia Pacific Region, Russia and Middle East area, which is a relatively new market for us and we increased our revenue by EUR1.0 million, representing an 28.9% increase compared to 2016.

OUTLOOK

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

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of cost of inventories and depreciation and amortisation. The cost of sales decreased by approximately 11.9% from approximately EUR29.0 million for the year ended 31 December 2016 to approximately EUR25.6 million for the year ended 31 December 2017, which is in line with the decrease in revenue. The gross profit margin remained stable from approximately 28.4% for the year ended 31 December 2016 to approximately 28.6% for the year ended 31 December 2017.

Selling and Distribution Expenses

The selling and distribution expenses remained stable at approximately EUR3.2 million and EUR3.2 million for the year ended 31 December 2016 and 2017, respectively.

Administrative Expenses

The administrative expenses increased from approximately EUR6.4 million for the year ended 31 December 2016 to approximately EUR7.5 million for the year ended 31 December 2017, which was mainly due to the non-recurring listing expenses recognized during the year ended 31 December 2017.

Loss/Profit attributable to the Equity Holder of the Company

The Group recorded a loss of approximately EUR1.2 million for the year ended 31 December 2017, compared to a profit of approximately EUR1.4 million for the year ended 31 December 2016 primarily due to the decrease in the Group's revenue and gross profit, the increase in recognition of the non-operating fair value changes on derivative financial instruments, as well as the non-recurring listing expenses recognized during the year ended 31 December 2017.

The Group's management considers that the fair value changes on the derivative instrument does not reflect the operating profit of the Group. When comparing the operating profit of 2016 and 2017 after removing the fair value changes on the derivative and the non-recurring listing expenses, the operating profit recorded is EUR1.5 million for the year ended 31 December 2017 compared to EUR1.8 million for the year ended 31 December 2016. The approximately EUR0.3 million decrease is mainly due to the decrease in revenue in 2017 as compared to 2016.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2017.

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

There were neither significant investments held as at 31 December 2017 nor material acquisitions and disposals of subsidiaries during the year ended 31 December 2017. Save for the business plan as disclosed in this report, there is no plan for material investment or capital assets as at 31 December 2017.

Treasury Policies

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

Foreign Currency Exposure and Hedging Policies

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("**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 into forward derivatives contract.

The Group adopts a hedging policy to manage our exposure to foreign exchange risk in relation to USD. Due to our business nature, our goal is to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows and no hedging position will be taken without an underlying operational flow. As at 31 December 2017, the Group had outstanding foreign exchange forward contracts in respect of EUR against USD of notional principal amounts of approximately USD7.0 million (as at 31 December 2016: approximately USD6.8 million). Management will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.

Employees and Remuneration Policies

As at 31 December 2017, the Group had a total of 50 staff (2016: 51). Total staff costs (including Directors' emoluments) were approximately EUR4.0 million for the year ended 31 December 2017 (2016: approximately EUR4.5 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience and composition package of the Directors, senior management and other employees. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include contributions to statutory mandatory provident fund schemes and social insurance to employees.

Liquidity and Financial Resources

As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately EUR4.8 million, representing a decrease of approximately EUR1.2 million as compared to that of approximately EUR6.0 million as at 31 December 2016. Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 December 2017, we had various bank borrowings and overdrafts of approximately EUR8.2 million, including factoring loan for trade receivables (as at 31 December 2016: approximately EUR7.7 million), representing an increase of approximately EUR0.5 million as compared to that as at 31 December 2016.

Net current assets decreased from approximately EUR5.9 million for the year ended 31 December 2016 to approximately EUR4.7 million for the year ended 31 December 2017, which was in line with the decrease in revenue.

The Group requires cash primarily for working capital. As of 31 December 2017, the Group had approximately EUR4.8 million in cash and bank balances (as at 31 December 2016: approximately EUR6.0 million), representing a decrease of approximately EUR1.2 million as compared to that as at 31 December 2016.

Net Gearing Ratio

As at 31 December 2017, the net gearing ratio of the Group was approximately 35% (as at 31 December 2016: approximately 17%). The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in consolidated statement of financial position plus net debt. The increase of the net gearing ratio was mainly attributable to an increase for bank borrowing to support the Group's working capital.

Contingent Liabilities

As at 31 December 2017, the Company had no significant contingent liabilities (as at 31 December 2016: Nil).

Capital Structure

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

Pledge of Assets

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

(i) certain of the Group's trade receivables with an aggregate amount of approximately EUR5,711,916 (2016: EUR6,697,653);

(ii) pledged bank deposits with an aggregate amount of approximately EUR2,062,879 (2016: EUR2,328,125);

(iii) a corporate guarantee from the Company with an aggregate amount of approximately EUR4,620,000 (2016: EUR5,225,000).

Capital Commitments
As at 31 December 2017, the Company had no capital commitment (as at 31 December 2016: Nil).

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

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

Given that the Listing only took place in January 2018, during the year ended 31 December 2017, the net proceeds had not been received or utilised as follows:

	Actual net proceeds allocated	**Amount utilised upto 31 December 2017**	**Balance as at 31 December 2017**
	HK$ Million	HK$ Million	HK$ Million
Developing the office telephone products	2.9	–	2.9
Developing the elderly telecommunications products	5.3	–	5.3
Strengthening and enhancing our sales channels	3.7	–	3.7
Expanding the staff team	5.8	–	5.8
Developing the other products including IP cameras and smart home products	1.3	–	1.3
Expanding the geographical coverage	3.0	–	3.0
General working capital	1.1	–	1.1
	23.1	**–**	**23.1**

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Didier Paul Henri Goujard ("Mr. Goujard"), aged 68, is chief executive officer of the Company. Mr. Goujard is responsible for overseeing the Group's operation, business development, human resources, finance and administration. Mr. Goujard became the chief executive officer of Atlinks Asia Limited ("**ATL Asia**") on 1 August 2012 and is currently the director of Atlinks Holding Limited ("**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 Swissvoice International SA ("**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. Mr. Goujard has over 30 years experience in the telecommunications industry. Prior to joining the Group, Mr. Goujard worked as a manager in Alcatel S.A., a French global telecommunications equipment company from April 1981 to September 1999. He then joined Thomson Alcatel RC, a joint venture specialized in telecommunications equipment products as operations manager from October 1999 to January 2000. From February 2000 to February 2006, Mr. Goujard was the general manager of Atlinks Hong Kong Limited, which was renamed to Thomson Asia Limited from March 2006 to February 2011. From March 2006 to July 2008, Mr. Goujard was the general manager of Thomson Asia Limited (currently known as Technicolor Asia Limited, a technological company in the media and entertainment industry). From August 2008 to December 2009, Mr. Goujard worked as market development EMEA (Europe, Middle East and Africa regions) director in Thomson Telecom SA. He then worked as managing director in Atlinks Group and as chief executive officer in Atlinks Europe ("**ATL Europe**"), which was engaged in designing home and office telecommunications products, from January 2010 to January 2013.

Ms. Ho Dora ("Ms. Ho"), aged 48, is chief financial officer of the Company and responsible for overseeing the Group's operation, business development, human resources, finance and administration. She was appointed as a Director on 3 August 2017 and re-designated as an executive Director on 12 September 2017. Ms. Ho joined ATL Asia as head of finance in July 2010 and became head of finance and human resources in October 2010. Ms. Ho was promoted to finance and human resources director and chief financial officer in November 2012 and April 2013, respectively. Ms. Ho is also a director of Atlinks Industries Limited and ATL Suisse and a supervisor of Atlinks Technology (Shenzhen) Limited ("**ATL Shenzhen**"). Ms. Ho obtained her Bachelor of Arts majoring in accounting and finance from University of Glamorgan in June 1993. She further obtained her Master of Business Administration from University of Wales College of Cardiff in July 1995. Ms. Ho was admitted as a member of the Association of Chartered Certified Accountants in 15 November 2004. Ms. Ho was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2005. She was admitted as a fellow of the Association of Chartered Certified Accountants in November 2009. She was certified as a fellow of the Hong Kong Institute of Certified Public Accountants in May 2012 and became a chartered manager of Chartered Management Institute in November 2013. She is also currently a Chartered Fellow of Chartered Management Institute. Ms. Ho has over 20 years of experience in financial services. Prior to joining the Group, she worked for AIA Shared Services (Hong Kong) Limited (formerly known as American International Data Centre Limited) from September 2007 to August 2009, with her last position held as a finance manager. From August 2009 to June 2010, Ms. Ho worked for AXA Technology Services Asia (HK) Limited (formerly known as AXA Technology Services South East Asia Limited), with her last position as head of finance in the finance department.

Mr. Long Shing, aged 36, is responsible for overall management of the Group's business in APAC (Asia Pacific region) and Russia. He was appointed as a Director on 3 August 2017 and re-designated as an executive Director on 12 September 2017. Mr. Long Shing joined the Group as sales and marketing director in July 2013 and is currently the director of Atlinks Enterprise Limited and director and legal representative of ATL Shenzhen. Mr. Long Shing obtained his Bachelor of Commerce degree from The University of British Columbia in May 2005. He began his career as a sales executive in NOK-Freudenberg Hong Kong Limited, a company that specialises in the production and sales of seals for the automotive industry, from February 2005 to October 2005. He worked as a sales executive in Kan Tsang Industrial Company Limited from November 2005 to June 2011. He also worked as a sales director in Kan Tsang Technology Limited, a company that engages in the research and development, manufacture, sale and marketing of electro acoustic components and headsets, from July 2011 to July 2013.

Mr. Jean-Alexis René Robert Duc ("Mr. Duc"), aged 45, is responsible for overall management of the Group's business operation in Europe. Mr. Duc was appointed as a Director on 3 August 2017 and re-designated as executive Director on 12 September 2017. Mr. Duc obtained Brevet de Technicien Supérieur in International Trade from Institut Supérieur Européen de Gestion in July 1993 and he further obtained his Master equivalent degree in Marketing & Sales from Institut Supérieur de Gestion in September 1996. Mr. Duc has over 20 years of experience in the telecommunications industry. He worked as a sales representative in 3X International, a telecommunications company from February 1997 to August 1997. Mr. Duc then worked for Alcatel Business Systems, a telecommunications company from September 1997 to December 1999 with his last position as training manager. From January 2000 to February 2004, Mr. Duc worked as key account manager in Atlinks and then Thomson Telecom, a telecommunications company which acquired Atlinks in January 2004. From March 2004 to December 2008, Mr. Duc was promoted to customer director retail France of Thomson Telecom. In January 2009, he was promoted to commercial director of Europe, Middle East and Africa regions and carried on this position in ATL Europe in January 2010, before he was subsequently promoted to chief executive officer ATL Europe in October 2012.

NON-EXECUTIVE DIRECTORS

Mr. Long Hak Kan ("Mr. Long"), aged 68, was appointed as a Director on 30 August 2017 and re-designated as a non-executive Director and appointed as Chairman of the Company on 12 September 2017, respectively. Mr. Long obtained his Associate Degree of Radio from Southeast Radio Institute* (東南無線電專科學校) in January 1982. Mr. Long was also a director of the following companies:

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

Mr. Long Fung, aged 36, is responsible for the overall strategic management of the Group. Mr. Long Fung was appointed as a Director on 3 August 2017 and re-designated as a non-executive Director on 12 September 2017. Mr. Long Fung obtained his Bachelor of Science degree majoring in biochemistry in The University of British Columbia in June 2004. From June 2012 to April 2015, he was a director of Witron Technology Limited, the principal business of which is a bluetooth design house, and from June 2017 until the year ended 31 December 2017, he was re-appointed as a director of Witron Technology Limited. From December 2015 until the year ended 31 December 2017, he was a director of Kan Tsang New Technology Development Limited, the principal business of which is trading of electronic products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yiu Chun Kit ("Mr. Yiu"), aged 59, was appointed as an independent non-executive Director on 21 December 2017. Mr. Yiu is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis. Mr. Yiu obtained his Professional Diploma from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1984. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 1987 and a chartered professional accountant and a certified management accountant of the Chartered Professional Accountants in British Columbia in June 2015. In October 1992, he was admitted as a fellow member of the Chartered Association of Certified Accountants. Mr. Yiu has about 30 years of experience in financial services. From 1990 to July 1992, he worked for Climax Paper Converters, Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange (Stock code: 439) as financial controller and senior vice president of corporate affairs. From September 1996 to September 1998, he worked for Climax International Company Limited (a company listed on the Main Board of the Stock Exchange (Stock code: 439) as chief finance officer. From September 1998 to December 2002, Mr. Yiu worked for Le Saunda Management Limited (a subsidiary of a company listed on the Main Board of the Stock Exchange (Stock code: 738) as finance director and executive director. From August 2003 to September 2005, he worked for Regal Wealthy Management Limited as financial controller and business development director. From October 2005 to November 2012, Mr. Yiu worked for Frasers Property (China) Limited (now known as

Gemdale Properties and Investment Corporation Limited) (a company listed on the Main Board of the Stock Exchange (Stock code: 535) as chief finance officer and company secretary. From November 2012 to August 2015, he worked for New Standard Enterprises Company Limited as chief financial officer.

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

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

Name of Organisation	Principal business activity	Position	Period of Service
Crestar Limited	Business consulting & outsourcing service	Director	2003 to present
Fukada Group Limited	Energy saving business	Director	2012 to present
G-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. 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 the Group, and reviewing the financial information of the Group on a regular basis. Ms. Chan obtained her Bachelor of Laws degree and Bachelor of Commerce in Finance degree from The University of New South Wales in May 2006. She had also obtained her Graduate Diploma in Legal Practice from The College of Law in Australia in August 2006. In June 2007, she obtained the Postgraduate Certificate in Laws from The University of Hong Kong. Ms. Chan was admitted as a lawyer of the Supreme Court of New South Wales in August 2006 and a solicitor of the High Court of Hong Kong in December 2009. Ms. Chan was employed as an assistant solicitor in William W.L. Fan & Co from November 2009 to November 2013. Ms. Chan was then promoted as partner at William W.L. Fan & Co in December 2013 and was a partner of the firm until June 2015. Since September 2015, Ms. Chan was the principal of Vivian Chan Law Office.

SENIOR MANAGEMENT

Ms. Cesarini Claude Daniele Marie ("Ms. Cesarini"), aged 53, is the general manager of the Group. She joined ATL Asia as general manager in July 2010 and is primarily responsible for overseeing the operation and administration of the Group in Latin America. Ms. Cesarini obtained Brevet de Technicien Supérieur in international business from Ministere de l'Education Nationale (France) in June 1986. Prior to joining the Group, Ms. Cesarini worked at Thomson Inc. (USA), a telecommunications services and products provider from 2003 to June 2010 with her last position as key account manager of sales and marketing in Latin America.

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code for the year ended 31 December 2017, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors' securities transactions for the year ended 31 December 2017.

BOARD OF DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

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

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

Pursuant to Code Provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2017, the Company held one board meeting to consider and approve the relevant resolutions in relation to the Listing. As the shares of the Company were listed on 19 January 2018, the Board did not hold regular meetings for the year ended 31 December 2017 as well as meetings for the committees. The Board will schedule to have at least four regular meetings and at least one meeting for each of the committees in the year going forward. The Audit and Remuneration Committees' meetings and a Board meeting were held on 21 March 2018 and 23 March 2018 respectively, and the individual attendance records of each Director at these meetings are set out below:

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

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

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

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

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

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

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

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

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

To comply with Code Provision A.6.5 of the CG Code, all Directors will participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2017, the Directors were provided with timely updates on the latest developments of the business of the Group. From time to time, the Directors are informed of the relevant GEM Listing Rules and other applicable regulatory requirements, so as to ensure that he/she is aware of his/her responsibilities and obligations to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

For the year ended 31 December 2017, the chairman of the Board is Mr. Long Hak Kan whereas the chief executive officer of the Company is Mr. Goujard. The roles of the chairman and the chief executive officer will be separate and distinct.

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

APPOINTMENT, RE-ELECTION AND REMOVAL

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2017 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

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

BOARD COMMITTEES

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

All board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

RISK MANAGEMENT COMMITTEE

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

As the shares of the Company were listed on 19 January 2018, the Risk Management Committee did not hold any meeting during the year ended 31 December 2017. The principal duties of the Risk Management Committee are, among other things, to provide risk management measures regarding operations of the Group to the Board.

As at 31 December 2017, the Risk Management Committee comprises three members namely:

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

Majority of the members are Independent Non-executive Directors.

AUDIT COMMITTEE

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

As the shares of the Company were listed on 19 January 2018, the Audit Committee did not hold any meeting during the year ended 31 December 2017. The first meeting of the Audit Committee was held on 21 March 2018. The individual attendance records of the each Director at the meeting is set out on page 14 of this annual report. The principal duties of the Audit Committee are, among other things, to review the financial reporting process and internal control system of the Group, review the Group's financial information, review the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

As at 31 December 2017, the Audit Committee comprises three members namely:

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

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

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

REMUNERATION COMMITTEE

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

As the shares of the Company were listed on 19 January 2018, the Remuneration Committee did not hold any meeting during the year ended 31 December 2017. The first meeting of the Remuneration Committee was held on 21 March 2018. The individual attendance records of the each Director at the meeting is set out on page 14 of this annual report. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management.

As at 31 December 2017, the Remuneration Committee comprises three members namely:

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

All the members are Independent Non-executive Directors.

NOMINATION COMMITTEE

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

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. As the shares of the Company were listed on 19 January 2018, the Nomination Committee did not hold any meeting during the year ended 31 December 2017. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

As at 31 December 2017, the Nomination Committee comprises three members namely:

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

Majority of the members are Independent Non-executive Directors.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Group's internal control systems include:

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

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

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

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

1. The Company has set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Share Offer (as defined in the Prospectus) or any other funds raised through the Stock Exchange;

2. The Board has established a risk management committee to further enhance the existing internal risk management functions. The members of the committee comprise of Mr. Goujard, Ms. Chan and Ms. Lam, and their responsibilities include, among others, monitoring the exposure to sanctions risks and the implementation of the related internal control procedures. The risk management committee will hold at least two meetings each year to monitor the exposure to sanctions risks;

3. The Company has continuously evaluated the sanctions risks prior to determining whether the Company should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons (as defined in the Prospectus). According to the internal control procedures, the risk management committee has been established to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the risk management committee has been established to review the information (such as identity and nature of business as well as the customers' ownership) relating to the counterparty to the contract along with the draft business transaction documentation and has checked the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determined whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. Whether any potential sanctions risk is identified, the Company will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

4. The Directors has continuously monitored the use of proceeds from the Share Offer (as defined in the Prospectus), as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;

5. The risk management committee has been established to periodically review the internal control policies and procedures with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice;

6. If necessary, external international legal counsel will provide training programs relating to the sanctions to the Directors, the senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to the Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches; and

7. Regarding the distributor customers, the Company has used best efforts to ensure that the distributor customers has warranted to the Company, either in the contracts with such distributor customers, or through the customers' delivery of an annual certification to the Company, that they are complying with International Sanctions laws in the sale or delivery of the products. In addition, in the event that the distributor customers are selling or delivering products to countries/entities subject to international sanctions, they shall ensure that the end customers are not Sanctioned Persons or provide the identity of such end customers prior for the Company to confirm whether such end customers are Sanctioned Persons, and the products shall not be sold to such end customers if such sale could result in any breach of international sanctions laws.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

PricewaterhouseCoopers was appointed as the external auditor since the Listing of the Company on the GEM Board of the Stock Exchange. The statement of PricewaterhouseCoopers in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

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

The fees paid/payable to PricewaterhouseCoopers for the year ended 31 December 2017 are set out as follows:

	Fee paid/payable *HK$'000*
Audit services	990
Non-audit services	200
Total	1,190

COMPANY SECRETARY

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

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

COMPLIANCE OFFICER

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

INVESTOR RELATIONS

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

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

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

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

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

SHAREHOLDER COMMUNICATION

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

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

CONSTITUTIONAL DOCUMENTS

The Company was incorporated on 3 August 2017. There are no significant changes in the Company's constitutional documents between 3 August 2017 and the year ended 31 December 2017. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 64 of the Articles of Association of the Company which provides that extraordinary general meetings should be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitionist(s) may convene an extraordinary general meeting himself/themselves, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: enquiry@atlinks.com, or by post to Unit 2208, 22/F, Delta House, 3 On Yiu Street, Shatin, Hong Kong.

INFORMATION DISCLOSURE

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

CONCLUSION

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Environmental, Social and Governance (the "**ESG**") Report published by Atlinks Group Limited (the "**Company**") highlights the works to sustainable development initiatives and social governance performance of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**We**") from 1 January 2017 to 31 December 2017 (the "**Year**").

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited.

The Board of Directors have the overall responsibility for overlooking the Company's ESG strategy and reporting, monitoring and managing ESG-related risks. The management is responsible for evaluating the effectiveness of the ESG risk management and internal control systems and the management confirms that these systems are effective to mitigate the ESG-related risks. Assessment of the ESG status and progress are conducted on an ongoing basis. To understand the concerns of various stakeholders, the Company has engaged and discussed with various business functions and management personnel, and identified the below materiality of the ESG issues to be included in this Report:

A. Environmental	
A1 Emissions	Products end of life, recycling, Chemicals management
A2 Use of resources	Transportation, ECO-design
A3 The environment and natural resources	Measures in reducing environmental impact
B. Social	
B1 Employment	Employees insurances, Contract of progress,
B2 Health and safety	Workplace health and safety
B3 Development and training	Staff development and training
B4 Labour standards	Freedom of association and collective bargaining
B5 Supply chain management	Sustainable supply chain
B6 Product responsibility	Protection of customers' rights and interests, Product external evaluations (ECO-rating)
B7 Anti-corruption	Anti-corruption
B8 Community investment	Supporting the community

ENVIRONMENTAL PROTECTION

ENVIRONMENTAL MANAGEMENT

The Group is not an organisation that operates a factory or machinery of any kind and is aware of its impacts to the environment. With a framework of a Worldwide Environmental Management system, we focus our environmental measures on aspects where we have more impact: eco-design (recycling, product usage, and resources preservation), transportation, waste and end-of-life of the products.

We also work on the environmental impact that our premises may have: resources preservation (paper, electricity consumption), waste management.

All those actions are driven within the respect of all applicable laws and regulations.

A. ENVIRONMENTAL

1. EMISSIONS

Products end of life, recycling
The Group participates with several organizations for the collection and recycling of the waste produced by the products all over Europe including:

- Packaging
- Waste Electrical and Electronic Equipment (**WEEE**)
- Batteries

We declare the units and weight of the different elements to be collected and contribute financially to the collection, recycling of the waste produced by our products.

We participate in several programs to reduce those wastes.

We also follow the recommendations from organizations to help the users in the recycling process. The below logo is printed in all our boxes to indicate the best bin for the different elements of the packaging.

Chemicals management
The Group follows the regulations in force regarding the restriction of use of certain substances and make sure that the products complies with all regulations in force regarding these aspects, in particular the RoHS (Restriction of Hazardous Substances) and REACH (Restriction, Evaluation, Authorization of Chemicals).

We request that the manufacturers provide every year a declaration of substances contained in each product and also their compliance with the RoHS regulation.

The Group also performs suppliers audits to make sure the control on those substances is made properly at the manufacturing sites. We also keep record of all the certificates issued by our vendors in our documentation system.

2. USE OF RESOURCES

Transportation
Transportation is one of the main environmental aspect which impacts the Group's operations. For many years we have tried to avoid the most polluting air transportation and thus, we concentrate on sea transportation for inbound transport.

One of our environmental programs have optimized the containers capacity by being able to put maximum products using the same transportation effort and as a result reduce the CO_2 impact. Result: We have an average rating of fulfillment over of 95% loaded containers.

ECO-design
We have put in place several programs:

- Energy-using Products (**EuP**) regulation to reduce the product consumption in its life (all products compliant).
- Reduction of the packaging and user's guide, size and weight for resources preservation and transportation optimization.
- Reduction of the products weight (less material used).

3. THE ENVIRONMENT AND NATURAL RESOURCES

We have followed the following programs:

– Waste separation (paper, carton, others): Hong Kong and France is handled by our local subsidiaries. In the other sales representation offices, it is managed by the business center where it is located.

– Management of hazardous waste (WEEE from samples, toner cartridges, ink cartridges).

– Reduced electricity consumption.

– Paper consumption monitoring (Hong Kong and France sites).

– Electronic Data Interchange (**EDI**) for many transitions with customers to avoid paper invoices (save paper and transport).

B. SOCIAL

1. EMPLOYMENT

Employees insurances and medical checks

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

Contract of progress, labor/management relations

The contract of Progress (COP) is the document where the management and the employees fix the objectives for the year. There are individual and team objectives. These are reviewed on a yearly basis in a meeting with staff managers. It is also where the competences of the employees and training can be reviewed. 100% of the employees are covered by this process. The result is an evaluation is done per year with a "mark" average that must be within the targets.

2. HEALTH AND SAFETY

Within the framework of the OHSAS (Occupational Health and Safety Assessment Series) Management systems the following programs have been deployed in relation with the hazards and risk level identified by the Company and its employees.

– Staff have been trained to the fire risk, by performing drills and the usage of fire extinguishers (2 sites, 90% of staff).

– First Aid Kit and first aid training (2 sites, 90% of staff).

– Driving safe chart published and sign by the company car drivers (100% of company drivers).

– A set of videos to recall the traffic rules has been provided to French staff, with a quiz test (half of the staff completed).

– Office exercising guidance (2 sites, 90% of staff).

– Ergonomic assessment on the use of computer and screen (1 site, 47% of staff).

– E-mail management guidance for the stress reduction (100% of staff).

– Anti-smoking campaign in the French subsidiary.

– Results: the Group has 0 accidents in 2017.

3. TRAINING AND DEVELOPMENT

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

A training plan is established in accordance with the needs of the Group and the staff. There are trainings and awareness meetings organized yearly on the field of Quality, Environment, Health and Safety and Sustainable development areas, for all the staff.

Results: Training provided as per training plan in all entities. 100% of the staff in Hong Kong and 80% of the staff in Europe followed the sustainable development training and awareness in 2017.

4. LABOUR STANDARDS

Freedom of association and collective bargaining

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

Results: Regular summary meetings are issued every year (mainly France and Spain sites, 47% of the staff). Elections of local employee representative are organized as per the local regulations (France, 43% of the staff).

5. SUPPLY CHAIN MANAGEMENT

Our suppliers are one of the main stakeholders and since many years ago, a process of selection and evaluation of suppliers is being applied with success.

We evaluate by audits and rate our suppliers to avoid child labor and any compulsory or force labor.

We evaluate by audits and rate our suppliers in the Health and Safety aspects.

CONFLICT MINERALS TRACEABILITY: The Group is not a manufacturer but by means of the external evaluation of eco-rating we have started questioning our vendors on the resources preservation of some metals like: gold, silver and tin. After, there is a calculation of the raw material depletion in person-reserve. In this process there is also the concept of origin of rare metals, and its traceability.

We are putting in place a process to request the traceability for information to our main suppliers of cordless phones (top 5 of our purchase value, 95 % of sales) on the following items:

– Plastics raw materials
– Printed Circuit Boards
– Semiconductors (chipsets)

– Soldering paste

– Capacitors (tantalum)

To study the following metals origin: gold, tin, tungsten and tantalum

Process: A Conflict Mineral Reporting Template based on the CFSI (Conflict Free Sourcing Initiative) will be send to our vendors once a year. We collect data, perform analysis and then record the information on our documentation systems.

Result: We have received the completed CFSI questionnaire, 100% fulfilled, for the 5 main suppliers, representing 97% of our sales worldwide.

6. PRODUCT RESPONSIBILITY

Protection of customers' rights and interests

The Group cares about the health and safety of its users and our products comply with the relative European directives on Low voltage (2006/95/EC) and Electromagnetic compatibility (2004/108/EC). Tests are performed for safety products approval before being put on the market, and records are kept for compliancy demonstration. Our products are labeled in conformity with the applicable laws and regulations:

SERVICE CENTER, CONSUMER SUPPORT: Within the frame of our quality management systems, the customers are in the center of the targets. We do all the best to listen to them and give them a maximum of satisfaction:

– We have a web site with customers interface to ask questions related to our products or services

– We do provide our user guides in an extended version, and we include in the packaging only a simpler version (less paper to print).

– We have a Call Center (Hot line) to provide support for the usage or what to do in case of doubts, or for any quality issues with the products.

– We provide 18 to 24 months warranty for better satisfaction.

– We have implemented a service center to repair or refurbish the products.

– The service center has an integrated management system certified for Quality, Environment, and Health and Safety.

– The service center also manages the WEEE following the European Directive 2012/19/EU.

Result: The return rate has been constantly decreased and arrived to a very low level, indicating very reliable products.

Product external evaluations (ECO-rating)

The Group participates to an initiative done by one of its customers to the evaluation of the products Environmental performance called Eco-rating, with the contribution of World Wildlife Fund (**WWF**). The Environmental performance of the products is based on: CO_2 foot print for the product (simplified calculation with specific methodology), natural resources preservation evaluation, and eco-design. The marks are on a 5 points basis and are displayed in the shops and on the website.

Data confidentiality

The Group applies the European Directive 1995/46/CE related to the protection of the data of its customers and makes it mandatory for any suppliers in contact with its customers to respect it. A specific program is established to make sure all the requirements of the directive are followed.

7. ANTI-CORRUPTION

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

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

At the end of 2016 an extended training has been deployed to all employees and consultants. This training is based on the United Nations "The Fight Against Corruption", and it is given in the mother language of the employee.

The UN Convention against Corruption is also available in our documentation systems for easy access in the 3 main languages of the company: English, French and Spanish.

Result: 0 reports on corruption among the employees or any other stakeholder. Training spread worldwide to staff and consultants, over 70% of the employees are trained in 2017. All priority staff has been trained in 2016 and 2017.

8. COMMUNITY INVOLVEMENT AND DEVELOPMENT

During 2017 we have continued to collaborate with local associations to promote the development:

- JUNE 2017: The Group made a donation of over 180 phones to be sold in the "solidarity day sales" organized by Emmaüs in Paris. Emmaüs is an international solidarity movement founded in Paris in 1949 by Friar Abbé Pierre to combat poverty and homelessness, a group of associations present in 39 countries.
- In collaboration with Screlec, we participate at a special collection of batteries in our premises for giving a donation to the Téléthon. Téléthon is a televised fundraising event to raise money for medical research in the domain of rare sickness.
- French campaign to fight against the smoking habit. Display has been put all over our French office as well as in the building, elevator and entrance hall.

OUTLOOK

The Group aims to deliver excellence in its products, services and solutions which ensures that customers are valued, thus contributing to our success. We strive to be recognized by our employees, customers, community and shareholders as a responsible organization that conducts our business in a manner that conserves the environment, minimizes pollution, protect its employees from hazards by minimizing the risks.

Our commitment to quality, environment, health/safety and sustainable supply chain, is reflected through programs focused on continual improvement and reasonable compliance with: applicable regulations, industry standards and best practices, contractual requirements and corporate initiatives. Planned, integrated and consistent efforts involving every element of our organization; create these results.

To warranty this approach, the Group has an integrated management systems, which is certified to conform to the international Standards for: Quality, ISO 9001; Environment, ISO 14001 and Organizational Health and Safety, OHSAS 18001.

We also support the 10 Principles of the United Nations Global Compact to enforce our commitment to all the stakeholders in our business. For more detail please refer to our website: http://atlinks.com/sustainability.

SUBTAINABLE DEVELOPMENT: THE GLOBAL COMPACT

HUMAN RIGHT

Principle 1: Support and respect the protection of internationally proclaimed human rights:

Principle 2: Make sure that they are not complicit in human rights abuses:

In the Group's operating countries, we have been respectful towards local laws and regulations which comply with human rights. We also have requested our suppliers to be compliant with it and we make audits to all of them to ensure compliance.

LABOR

Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining:
The Group follows in each subsidiary the rules relative to the employees association and bargain relations. Regular meetings are held between the management and the employee’s representatives to promote the communications between both parties.

Principle 4: The elimination of all forms of forced and compulsory labor.

Principle 5: The effective abolition of child labor.

The Group does not practice any forced or compulsory labor or child labor at any of its subsidiaries. The Group also controls the fact that its suppliers respect these principles by auditing the suppliers against the international standards.

Principle 6: The elimination of discrimination in respect of employment and occupation.

The Group does not practice any kind of discrimination: The staff at first level of management is 50% female/male. We do have 6 nationalities of staff in the Group.

ENVIRONMENT

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

We do follow an environmental friendly global approach within the Group by implementing and continually improve our environmental management system in a worldwide basis. We also encourage our suppliers to follow the same approach as we audit them against the environmental standards to assure their compliance.

ANTI-CORRUPTION

Principle 10: Work against corruption in all its forms, including extortion and bribery:

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

The Group has maintained an excellent check and balance system over transactions. Our books and accounts are subjected to a statutory external financial audit annually. These audits are used as one of the methods of identifying any suspicious payments which could be related to bribery or corrupt behavior. This information is checked and controlled by finance, administration, the HR department and the CEO. Internal Audits are also used as a tool to detect any kind of deviation in this subject.

EXTERNAL EVALUATIONS (ECOVADIS)

ECOVADIS operates the first collaborative platform allowing companies to assess the environmental and social performance of their suppliers on a global basis. ECOVADIS combines technology and Corporate Social Responsibility (CSR) expertise to deliver simple and reliable supplier scorecards, covering 150 purchasing categories and 21 CSR criteria.

The ECOVADIS methodology framework assesses the policies and measures put in place as well as the reporting published by companies with regards to environmental, labor practices and human rights, fair business practices and sustainable procurement issues. The assessment conducted by CSR experts is made on the basis of the Group's answers to a survey which is dynamically adapted to their country, sector and size on the basis of supporting documentation, on public and stakeholder (NGOs, trade unions, press) information.

Actions based on the detailed report issued by ECOVADIS have been taken to improve the Group's performance in the CSR results for next year.

Result: The Group has confirmed its commitment to the Corporate Social Responsibility by obtaining the Gold level of recognition, and the "Advanced" level in 2017.

Two awards have been granted in 2017:

– **May 2017:** Ecovadis: Winner of the Sustainability Leadership Regional Award AMEA (Asia, Middle East Africa), for the best score in the area among all different activity sectors.

– **June 2017:** Global e-Sustainability Initiative (GeSI): Winner Leadership Index of SME Manufacturing and Assembly of Information and Communication Technology Equipment: best performance in the sector worldwide.

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE REORGANISATION

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

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

BUSINESS REVIEW

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements on pages 45 to 103 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 December 2017.

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

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

We have entered into a licence agreement with Alcatel Lucent, due to expire in 2027. During the years ended 31 December 2016 and 31 December 2017, sales of products bearing the Licensed Marks accounted for approximately 84.4% and 90.4% of our revenue, respectively. A decrease in demand for the products sold under the Licensed Marks may adversely affect our operations and financial conditions.

No long term purchase commitments from our five largest customers

We generally do not enter into any long-term agreements with our five largest customers to secure purchase obligations. The purchases by our five largest customers are made from time to time with no commitment to place future orders with us. Consequently there is no assurance that our five largest customers will continue to place orders with us at all or at the same level as which they historically have done. During the years ended 31 December 2016 and 31 December 2017, the sales of products to our five largest customers accounted for approximately 39.8% and 37.4% of our revenue, respectively. In the event there is a significant decrease in orders from our five largest customers and we are unable to obtain replacement orders, our results of operations would be adversely affected.

Dependence on our major suppliers for the manufacturing of our products

For the years ended 31 December 2016 and 31 December 2017, purchases from our five largest suppliers account for approximately 99.2% and 99.4% of our total purchases, respectively. During the same periods, purchases from our largest supplier accounted for approximately 61.5% and 63.4% respectively. Any shortage or delay in supply from our suppliers would adversely affect our business and results of operations if we cannot secure suitable alternative sources of manufacturing of our products immediately.

Reliance on our distributors to distribute our products
We sell part of our products to distributor customers which then distribute or on-sell our products. We cannot assure that our distributor customers will renew their agreements with us or otherwise retain their business relationships with us, or guarantee their purchase commitments will be maintained at the current volume or prices in the future.

Significant exposure on the French and Latin American markets
For the years ended 31 December 2016 and 31 December 2017, our sales to the French market represented approximately 52.3% and 54.9% of our total revenue, respectively, and our sales to the Latin American market represented 23.1% and 15.2% of our total revenue, respectively.

INTEREST CAPITALISED

No interest was capitalised by the Group for the year ended 31 December 2017.

DIVIDEND AND DISTRIBUTABLE RESERVES

For year ended 31 December 2017, the Group has no dividend paid (2016: N/A). Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. We do not have any fixed dividend policy. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law. Dividends may be paid out of the Company's distributable profits as permitted under the relevant laws.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out on page 104 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was conditionally adopted pursuant to a resolution passed by the Company's shareholders on 21 December 2017 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries. No share options have been granted under the scheme since its adoption.

(1) Purpose of the Share Option Scheme

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

(2) Who may join and basis of eligibility

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

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

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

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

(4) Grant of options and acceptance of offers

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

(5) Maximum number of Shares

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

(6) Maximum entitlement of each Eligible Person

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

(7) Time of exercise of option

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

(8) Period of the Share Option Scheme

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

No share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme during the year ended 31 December 2017. As at 31 December 2017, the Company has no outstanding share option under the Share Option Scheme.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Long Hak Kan
Mr. Long Fung

Independent Non-executive Directors:

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

BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

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

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment compensation other than the statutory compensation.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As the Shares were listed on the GEM of the Stock Exchange on 19 January 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") as at 31 December 2017.

On the listing date of the Company on 19 January 2018 ("**Listing Date**"), the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities	Approximate percentage of shareholding
Didier Paul Henri Goujard ("**Mr. Goujard**") *(Note 1)*	Eiffel Global Limited ("**Eiffel Global**")	Interest in a controlled corporation	1,183 ordinary shares	11.83%
Jean-Alexis René Robert Duc ("**Mr. Duc**") *(Note 2)*	Eiffel Global	Beneficial owner	967 ordinary shares	9.67%
Ho Dora ("Ms. Ho") *(Note 2)*	Eiffel Global	Beneficial owner	350 ordinary shares	3.5%
Long Hak Kan ("**Mr. Long**") *(Note 2)*	Our Company	Interest of spouse	300,000,000 ordinary shares	75%
	Eiffel Global	Interest of spouse	7,500 ordinary shares	75%
	Talent Ocean Holdings Limited ("**TOHL**")	Interest of spouse	1,000 ordinary shares	100%

Notes:

(1) These Shares were held by Argento Investments Limited ("**AIL**"), which is wholly-owned by Mr. Goujard.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as those interests disclosed under the paragraph entitled "Connected Transactions", there is no contract of significance to which the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2017.

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

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

Long positions in shares of the Company

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

Notes:

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

2. Ms. Chu is deemed or taken to be interested in all the Shares which are beneficially owned by TOHL under the SFO. TOHL is wholly-owned by Ms. Chu.

3. Mr. Long is the spouse of Ms. Chu and he is deemed or taken to be interested in all the Shares which are beneficially owned by Ms. Chu under the SFO.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

	Percentage of the Group's total purchases
The largest supplier	63.4%
Five largest suppliers in aggregate	99.4%

	Percentage of the Group's total sales
The largest customer	12.4%
Five largest customers in aggregate	37.4%

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

KEY RELATIONSHIPS WITH CUSTOMERS

The Group's customers include large consumer retail chain stores, telecom operators and distributors in Europe and Latin America. During the year ended 31 December 2017, the sales of our products to our largest customer and five largest customers accounted for approximately 12.4% and 37.4% of our revenue, respectively. Even though we do not enter into any long-term agreements with our five largest customers to secure purchase obligations, we were able to consistently maintain good and stable relationships with them.

KEY RELATIONSHIPS WITH SUPPLIERS

Most of our suppliers are electronics manufacturers and suppliers in Hong Kong with factories in the PRC. Although we usually outsource the production of our products to a few manufacturing subcontractors, our Directors confirm that we are constantly looking for and would be able to secure alternative suppliers with comparable quality and prices as replacement in the event that our major manufacturing subcontractors ceased their business relationship with us. During the year ended 31 December 2017, our total purchases from our largest supplier and five largest suppliers accounted for approximately 63.4% and 99.4% of our revenue, respectively. Accordingly, we are dependent on the continuous supply of products from a few suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations. The risk of non-compliance with the relevant requirements would subject us to fines, penalties or other liabilities which could lead to adverse impact on our financial position. The Board as a whole is responsible to ensure the Group complies with the relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group is unaware of any material non-compliance with relevant laws and regulations during the year ended 31 December 2017.

KEY RELATIONSHIPS WITH EMPLOYEES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group believes that sound environmental, social and governance performance is of critical importance to the sustainability of its business and community. The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. The Board is pleased to present the Environmental, Social and Governance ("**ESG**") report for the year ended 31 December 2017. This report has been prepared with reference to ESG Reporting Guide issued by the Stock Exchange and is set out in the section headed "Environmental, Social and Governance report" in this annual report.

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 December 2017 is contained in Note 32 to the consolidated financial statements. None of the related party transactions constituted connected transaction under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to issue of this report under the GEM Listing Rules.

NON-COMPETITION UNDERTAKING

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

The Company wishes to disclose that each of the Controlling Shareholders provided a written confirmation (the "**confirmation**") to the Company on 23 March 2018 confirming that he/she/it has duly complied with the non-competiton covenants and undertakings in the Deed (the "**Undertakings**") for the year ended 31 December 2017. The independent non-executive Directors also noted that (a) the Controlling Shareholders declared that they had fully complied with the Undertakings for the year ended 31 December 2017; (b) no new competing business was reported by the Controlling Shareholders for the year ended 31 December 2017, and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the independent non-executive Directors confirmed that all of the Undertakings were complied with by the Controlling Shareholders for the year ended 31 December 2017.

COMPETING BUSINESS

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

COMPLIANCE ADVISER'S INTERESTS

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

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

PERMITTED INDEMNITY PROVISIONS

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

AUDITOR

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

PUBLICATION OF INFORMATION ON WEBSITES

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

By the order of Board

Long Hak Kan
Chairman

23 March 2018

Independent Auditor's Report

To the Shareholders of Atlinks Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Atlinks Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 45 to 103, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

- Provision for impairment of trade receivables
- Provision for impairment of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of trade receivables	
Refer to note 4 and note 20 to the consolidated financial statements of the Group. As at 31 December 2017, the Group had gross trade receivables of EUR10,293,504 (2016: EUR10,927,155) and allowance for impairment of trade receivables of EUR97,549 (2016: EUR21,025). Management performed the impairment assessment of trade receivables as at 31 December 2017 based on information including but not limited to, aging of trade receivables, past repayment history, subsequent settlement status and financial capability of the customers. We focused on this area due to the magnitude of the trade receivable balances and the significant management judgements and estimates used in evaluating the recoverability of such balances.	Our procedures in relation to management's impairment assessment of trade receivables included: • Understanding the status of each of the material receivables that was past due through discussion with management and the sales team; • Checking, on a sample basis, the accuracy of the trade receivables aging analysis used by management to assess recoverability; • Checking, on a sample basis, the subsequent settlement of trade receivables by customers after year end date; and • Evaluating management's assessment and explanations on the individually significant trade receivables that were past due as at 31 December 2017 with reference to supporting evidence such as payment history of the customers, correspondences with customers and search of the customers' public profiles. Based upon the above procedures, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to note 4 and note 19 to the consolidated financial statements. As at 31 December 2017, the Group held inventories of EUR5,216,318 (2016: EUR7,375,980), and a provision of EUR259,496 (2016: EUR414,172) was made. As described in the accounting policies in note 2.12 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. Management determine the appropriate provisions for obsolete or slow-moving inventories based upon a detailed analysis of long-aged inventory and the estimated selling prices. We focused on this area due to the magnitude of inventories and the significant management judgements and estimates used to determine the provision for obsolete or slow-moving inventories.	Our procedures in relation to management's impairment assessment of inventories included: • Performing analytics on stock holding and movement data to identify products with indication of slow movement or obsolescence; • Checking, on a sample basis, the accuracy of the aging analysis of inventories prepared by management; • Comparing, on a sample basis, the net realisable value of inventories to the selling price of inventories sold subsequent to the year-end or, where there were no subsequent sales, the estimated selling prices as determined by management. We evaluated the sales plan and forecast that management considered when determining the estimated selling prices giving consideration to possible changes in market supply and customer demand and by comparing the estimated selling price to the most recent selling price prior to the year-end; • Recalculating the inventories provisions as at year end. Based on the above procedures, we found that management's judgements and estimates of impairment of inventories are supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Revenue	5	**35,841,693**	40,560,338
Cost of sales	8	**(25,581,704)**	(29,041,082)
Gross profit		**10,259,989**	11,519,256
Other income	6	**224,166**	204,299
Other gain/(loss)	7		
– Exchange difference		**260,223**	(216,051)
– Fair value changes on derivative financial instruments		**(455,950)**	331,217
Selling and distribution expenses	8	**(3,245,235)**	(3,240,554)
Administrative expenses	8		
– Legal and professional fee for listing preparation		**(1,537,703)**	–
– Others		**(5,958,514)**	(6,422,833)
Operating (loss)/profit		**(453,024)**	2,175,334
Finance income	11	**1,472**	1,067
Finance costs	11	**(412,679)**	(323,736)
Finance costs, net	11	**(411,207)**	(322,669)
(Loss)/profit before income tax		**(864,231)**	1,852,665
Income tax expenses	12	**(321,309)**	(467,252)
(Loss)/profit for the year		**(1,185,540)**	1,385,413
Attributable to:			
Equity holders of the Company		**(1,168,505)**	1,403,042
Non-controlling interests		**(17,035)**	(17,629)
		(1,185,540)	1,385,413
(Loss)/earnings per share			
– Basic and diluted (expressed in Euro cents per share)	13	**(0.39)**	0.47

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 **EUR**	2016 EUR
(Loss)/profit for the year	**(1,185,540)**	1,385,413
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(686,513)**	158,832
Items that may not be reclassified to profit or loss:		
Remeasurement of defined benefit retirement plans, net of tax	**(2,428)**	(5,517)
Other comprehensive (loss)/income for the year	**(688,941)**	153,315
Total comprehensive (loss)/income for the year	**(1,874,481)**	1,538,728
Attributable to:		
Equity holders of the Company	**(1,849,916)**	1,557,264
Non-controlling interests	**(24,565)**	(18,536)
	(1,874,481)	1,538,728

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 EUR	2016 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	15	**177,649**	219,473
Intangible assets	16	**3,822,194**	4,200,073
Deferred income tax assets	27	**835,062**	1,175,364
Prepayments, deposits and other receivables	21	**–**	69,239
		4,834,905	5,664,149
Current assets			
Inventories	19	**4,956,822**	6,961,808
Deferred income tax assets	27	**32,450**	27,611
Derivative financial instruments	17	**–**	369,995
Trade receivables	20	**10,195,955**	10,906,130
Prepayments, deposits and other receivables	21	**1,562,133**	916,556
Current income tax recoverable		**–**	36,009
Pledged bank deposits	22	**2,062,879**	2,328,125
Cash and cash equivalents	22	**4,813,033**	5,992,129
		23,623,272	27,538,363
Total assets		**28,458,177**	33,202,512
EQUITY			
Equity attributable to the equity holders of the Company			
Share Capital	23	**11**	–
Reserves	23	**6,159,622**	8,009,549
		6,159,633	8,009,549
Non-controlling interests		**46,862**	71,427
Total equity		**6,206,495**	8,080,976

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 EUR	2016 EUR
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	27	**60**	4,266
Retirement benefits obligation	29	**360,841**	334,954
Other payables	25	**2,920,802**	3,177,554
		3,281,703	3,516,774
Current liabilities			
Trade payables	24	**4,403,512**	6,954,479
Deferred income tax liabilities	27	**–**	133,123
Accruals, provision and other payables	25	**5,223,699**	5,670,533
Loans from related parties	32	**998,247**	989,374
Derivative financial instruments	17	**85,955**	–
Income tax payable		**97,273**	175,715
Borrowings	26	**8,161,293**	7,681,538
		18,969,979	21,604,762
Total liabilities		**22,251,682**	25,121,536
Total equity and liabilities		**28,458,177**	33,202,512

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

The consolidated financial statements on pages 45 to 103 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf

Didier Paul Henri Goujard
Executive Director

Ho Dora
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to equity holder of Atlinks Group Limited						
	Share capital	Merger reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balances at 1 January 2016	–	4,386,134	710,259	1,355,892	6,452,285	–	6,452,285
Comprehensive income							
Profit/(loss) for the year	–	–	–	1,403,042	1,403,042	(17,629)	1,385,413
Other comprehensive income/(loss)							
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
Total comprehensive income/(loss) for the year	–	–	154,222	1,403,042	1,557,264	(18,536)	1,538,728
Contribution from non-controlling interests	–	–	–	–	–	89,963	89,963
Balances at 31 December 2016 and 1 January 2017	–	4,386,134	864,481	2,758,934	8,009,549	71,427	8,080,976
Comprehensive income							
Loss for the year	**–**	**–**	**–**	**(1,168,505)**	**(1,168,505)**	**(17,035)**	**(1,185,540)**
Other comprehensive income							
Currency translation difference	**–**	**–**	**(678,983)**	**–**	**(678,983)**	**(7,530)**	**(686,513)**
Remeasurement of defined benefit retirement plans, net of tax	**–**	**–**	**(2,428)**	**–**	**(2,428)**	**–**	**(2,428)**
Other comprehensive loss	**–**	**–**	**(681,411)**	**–**	**(681,411)**	**(7,530)**	**(688,941)**
Total comprehensive income for the year	**–**	**–**	**(681,411)**	**(1,168,505)**	**(1,849,916)**	**(24,565)**	**(1,874,481)**
Issuance of shares arising from Reorganisation	**11**	**(11)**	**–**	**–**	**–**	**–**	**–**
Balances at 31 December 2017	**11**	**4,386,123**	**183,070**	**1,590,429**	**6,159,633**	**46,862**	**6,206,495**

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

Consolidated Statement of Cash Flows

	Notes	2017 EUR	2016 EUR
Cash flows from operating activities			
Cash (used in)/generated from operations	28	**(141,559)**	2,366,136
Interest received		**1,472**	1,067
Income tax paid		**(167,957)**	(86,570)
Net cash (outflow)/inflow from operating activities		**(308,044)**	2,280,633
Cash flows from investing activities			
Purchase of property, plant and equipment		**(43,027)**	(195,129)
Purchase of intangible assets		**–**	(1,230,000)
Net cash outflow from investing activities		**(43,027)**	(1,425,129)
Cash flows from financing activities			
Proceeds from bank borrowings		**40,994,362**	35,384,325
Repayment of bank borrowings		**(40,478,389)**	(34,545,461)
Dividend paid		**–**	(984,996)
Interest paid		**(412,679)**	(323,736)
Legal and professional fee paid for listing preparation		**(488,186)**	–
Pledged bank deposit for bank loans		**96,955**	(607,706)
Contribution from minority interest		**8,873**	89,963
Loan from related parties		**–**	474,368
Net cash outflow from financing activities		**(279,064)**	(513,243)
Net (decrease)/increase in cash and cash equivalents		**(630,135)**	342,261
Cash and cash equivalents at beginning of the year		**5,992,129**	5,507,198
Effects of exchange rate changes on cash and cash equivalents		**(548,961)**	142,670
Cash and cash equivalents at end of the year	22	**4,813,033**	5,992,129

Note: During the year ended 31 December 2017 and 2016, retirement benefit expense under defined benefit obligation retirement scheme, amounting to EUR25,886 and EUR31,354 were non-cash transactions.

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Atlinks Group Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is 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.

Pursuant to the group reorganisation as set out in the section headed "History and Development" in the Company's listing prospectus dated 30 December 2017 (the "Prospectus"), which was completed on 21 December 2017 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited on 19 January 2018 (the "Listing Date"). The consolidated financial statements of the Group has been prepared as if the Group had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

a) financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment – measured at fair value, and

b) defined benefit pension plans – plan assets measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017.

IAS 7 Amendments	Disclosure initiative
IAS 12 Amendments	Recognition of deferred tax assets for unrealised losses
IFRS 12 Amendments	Annual Improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company.

		Effective for annual periods beginning on
IFRS 1 and IAS 28 Amendments	Annual improvements 2014-2016 Cycle	1 January 2018
IFRS 2 Amendments	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 Amendments	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 15 Amendments	Clarifications to IFRS 15	1 January 2018
IAS 40 Amendments	Transfer of investment properties	1 January 2018
IFRIC – Int 22	Foreign currency transactions and advance consideration	1 January 2018
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC – Int 23	Uncertainty over income tax treatments	1 January 2019
IFRS 10 and IAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

(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) identity 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 principal 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

(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 31(b), the total operating lease commitment of the Group in respect of rented premises as at 31 December 2017 and 2016 amounted to EUR579,538 and EUR576,190 respectively. 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 consolidated statement of financial position as right-of-use assets and lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

Subsidiaries

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

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

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

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

2.3 Business combinations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(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.

2.5 Segment reporting

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

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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

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

2.7 Intangible assets

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

Licensing right	6%
Design patent	10%
Domain name and website	10%
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 renew at 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.

2.8 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

(i) 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.

(a) 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.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

(ii) Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

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

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, 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 consolidated income statement. 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 consolidated income statement.

2.12 Inventories

Finished goods

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

2.13 Derivative financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within one year and there five are all classified as current.

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.

2.15 Cash and cash equivalents

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

2.16 Borrowings

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

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

2.17 Borrowing costs

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

2.18 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.

2.19 Trade and other payables

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

2.20 Current and deferred income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax *(Continued)*

Current income tax

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

Deferred income tax

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

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

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

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

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

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

(i) *Investment allowances and similar tax incentives*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

(a) Pension obligations

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

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

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

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(a) Pension obligations *(Continued)*

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

(b) Bonus plans

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

2.22 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.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Operating leases (as the lessee)

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

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(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 2017 and 2016, if USD had strengthened/weakened against EUR by 5% with all other variables held constant, the post-tax profit for the respective years ended 31 December 2017 and 2016 would have been approximately EUR118,380 and EUR515,395 lower/higher, mainly as a result of foreign exchange losses/gains on revaluation of USD denominated cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, trade payables, accruals, provision and other payables, loans from related parties and borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 2017 and 2016, 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 2017 and 2016, the top three debtors accounted for approximately 36% and 33%; and the largest debtor accounted for approximately 12% and 18% 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 for the year ended 31 December 2017). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Balance due after 12 months are the contractual discounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

	On demand EUR	Less than 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
As at 31 December 2017					
Trade payables	–	4,403,512	–	–	4,403,512
Loans from related parties	–	998,247	–	–	998,247
Borrowings	1,177,683	6,019,783	1,113,995	–	8,311,461
Accruals	–	4,125,129	–	–	4,125,129
Other payables	–	572,470	1,152,160	1,768,643	3,483,273
	1,177,683	16,119,141	2,266,155	1,768,643	21,331,622
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
	58,101	20,203,545	1,100,934	2,076,619	23,439,199

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 EUR	Between 1 and 2 years EUR	Between 2 and 5 years EUR	More than 5 years EUR	Total EUR
At 31 December 2017					
Borrowings	728,547	150,599	330,230	–	1,209,376
At 31 December 2016					
Borrowings	58,101	–	–	–	58,101

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

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

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

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

The gearing ratio as at 31 December 2017 and 2016 are as follows:

	2017	2016
	EUR	EUR
Total borrowings	**8,161,293**	7,681,538
Less: cash and cash equivalents	**(4,813,033)**	(5,992,129)
Net debt	**3,348,260**	1,689,409
Total equity	**6,206,495**	8,080,976
Total capital	**9,554,755**	9,770,385
Net gearing ratio	**35%**	17%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 2 EUR
As at 31 December 2017	
Derivative financial instruments	**(85,955)**
As at 31 December 2016	
Derivative financial instruments	369,995

Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices from banks or dealer quotes for similar instruments.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

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

4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of receivables

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

(b) Current and deferred taxes

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

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

(c) Provision for inventories

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 analysed by type of products is as follows:

	2017 EUR	2016 EUR
Revenue		
Home telephone	**30,185,041**	34,599,739
Office telephone	**4,426,102**	4,886,991
Others	**1,230,550**	1,073,608
	35,841,693	40,560,338

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Revenue by location

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

	2017 EUR	2016 EUR
France	**19,653,358**	21,222,574
Latin America (Note i)	**5,439,695**	9,350,337
Other European countries (Note ii)	**6,289,202**	6,527,301
Others (Note iii)	**4,459,438**	3,460,126
	35,841,693	40,560,338

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:

	2017 EUR	2016 EUR
Customer A	**N/A[1]**	4,543,311
Customer B	**4,454,446**	4,180,706

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 OTHER INCOME

	2017 EUR	2016 EUR
Compensation from distributors for missing sale target	**56,587**	153,072
Others	**167,579**	51,227
	224,166	204,299

7 OTHER (LOSS)/GAIN

	2017 EUR	2016 EUR
Net foreign exchange gain/(loss)	**260,223**	(216,051)
Net (loss)/gain on derivative financial instruments	**(455,950)**	331,217
	(195,727)	115,166

8 EXPENSES BY NATURE

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

	2017 EUR	2016 EUR
Operating lease expenses	**302,053**	309,406
Employee benefit expenses other than directors' emoluments (Note 9)	**3,078,626**	3,525,916
Legal and professional fees	**276,086**	215,493
Auditors' remuneration	**141,931**	30,259
Advertising and marketing expense	**679,598**	625,152
Directors' emoluments (Note 10)	**875,365**	945,755
Cost of inventories	**25,205,807**	28,506,711
Freight and transportation	**800,898**	760,682
Depreciation of property, plant and equipment	**67,711**	133,752
Provision/(reversal) for impairment of trade receivables (Note 20)	**76,524**	(110,582)
(Reversal)/provision for impairment of inventories (Note 19)	**(137,919)**	27,390
Provision for product warranty (Note 25)	**189,526**	79,179
Commission fee	**515,974**	572,714
Storage fee	**499,354**	488,228
Amortisation of intangible assets (Note 16)	**272,921**	270,277
Legal and professional fees for listing preparation	**1,537,703**	–
Others	**1,940,998**	2,324,137
Total cost of sales, selling and distribution expenses and administrative expense	**36,323,156**	38,704,469

9 EMPLOYEE BENEFIT EXPENSES OTHER THAN DIRECTORS' EMOLUMENTS

	2017 EUR	2016 EUR
Salaries, bonus and allowances	2,307,160	2,698,970
Retirement benefit expenses		
– Defined contribution pension costs	648,695	724,659
– Defined benefit pension costs (Note 29)	17,811	17,299
Other employee benefits	104,960	84,988
	3,078,626	3,525,916

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

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

Under the defined contribution scheme in France, each employee is entitled to receive a basic pension plus a complementary pension from defined contribution schemes, namely Association pour le regime de retraite complementaire des salaries ("ARRCO") and Association generale des institutions de retraite des cadres ("AGIRC") (solely for management). Under ARRCO, the Group makes monthly contributions of 6.6% and its employees make monthly contributions of 4.3% of the employee's relevant income to the scheme. Under AGIRC, the Group makes monthly contributions of 7.7% and its employees make monthly contributions of 4.8% of the employee's relevant income to the scheme. For the years ended 31 December 2017 and 2016, the monthly social security is subject to a cap of EUR3,269 and EUR3,218 respectively.

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2017 and 2016 include 3 directors, whose emoluments are reflected in the analysis presented in Note 10. The emoluments payable to the remaining 2 individuals during the years ended 31 December 2017 and 2016 are as follows:

	2017 EUR	2016 EUR
Salaries and other allowances	212,048	167,790
Bonus	14,195	22,903
Pension cost		
– Defined contribution scheme	65,225	93,385
– Defined benefit scheme	1,329	1,962
	292,797	286,040

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

(a) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK$)		
NIL to HK$1,000,000	**–**	–
HK$1,000,000 to HK$1,500,000	**2**	2

During the years ended 31 December 2017 and 2016, no director or any members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office.

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2017

Name	Fee EUR	Salaries EUR	Other allowances EUR	Discretionary bonuses EUR	Defined contribution pension costs EUR	Defined Benefit pension costs EUR	Total EUR
Executive directors							
Didier Paul Henri Goujard (chief executive officer)	–	238,365	85,077	20,000	–	–	343,442
Ho Dora	1,465	151,691	–	78,701	16,686	–	248,543
Long Shing	366	45,006	–	63,000	2,250	–	110,622
Jean Alexis René Robert Duc	–	96,156	–	28,000	46,769	735	171,660
Non-executive directors							
Long Hak Kan (Chairman) (Note f)	–	–	–	–	–	–	–
Long Fung (Note g)	–	–	–	–	–	–	–
Independent non-executive directors							
Yiu Chun Kit (Note h)	366	–	–	–	–	–	366
Lam Lai Ting Maria Goretti (Note h)	366	–	–	–	–	–	366
Chan Cheuk Man Vivian (Note h)	366	–	–	–	–	–	366
	2,929	531,218	85,077	189,701	65,705	735	875,365

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

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
Executive directors							
Didier Paul Henri Goujard (chief executive officer)	–	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
Non-executive directors							
Long Hak Kan (Chairman) (Note f)	–	–	–	–	–	–	–
Long Fung (Note g)	–	–	–	–	–	–	–
Independent non-executive directors							
Yiu Chun Kit (Note h)	–	–	–	–	–	–	–
Lam Lai Ting Maria Goretti (Note h)	–	–	–	–	–	–	–
Chan Cheuk Man Vivian (Note h)	–	–	–	–	–	–	–
	–	542,169	102,331	223,612	76,507	1,136	945,755

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as management to the Group during the years ended 31 December 2017 and 2016.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 10(a), the directors did not receive any other retirement benefits or termination benefits during the years ended 31 December 2017 and 2016.

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

During the years ended 31 December 2017 and 2016, 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 2017 and 2016, there were no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

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

Save as disclosed in Note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2017 and 2016.

(f) Long Hak Kan was appointed on 30 August 2017.

(g) Long Fung was appointed on 3 August 2017.

(h) Yiu Chun Kit, Lam Lai Ting Maria Goretti and Chan Cheuk Man Vivian were appointed on 21 December 2017.

11 FINANCE COSTS, NET

	2017 **EUR**	2016 EUR
Finance income		
Bank interest income	**(1,472)**	(1,067)
Finance costs		
Interest expense on factoring	**138,670**	120,724
Interest expense on bank borrowings	**66,312**	25,640
Interest expense on retirement benefit obligations (Note 29)	**4,704**	5,779
Interest expense on loans from related parties (Note 32)	**48,330**	6,022
Interest expense on license fee payables	**154,663**	165,571
	412,679	323,736
Finance costs, net	**411,207**	322,669

12 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017 (2016: 16.5%).

Corporate income tax on profits from a subsidiary operating in Mainland China has been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations for the year ended 31 December 2017 (2016: 25%).

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 for the year ended 31 December 2017 (2016: 33.33%).

(a) Income tax expenses

	2017 **EUR**	2016 EUR
Current income tax:		
Current tax on profits for the year	**112,521**	243,718
Under provision in prior year	**14,870**	–
	127,391	243,718
Deferred income tax	**(24,242)**	223,534
Under provision in prior year (Note)	**218,160**	–
Deferred income tax expense (Note 27)	**193,918**	223,534
	321,309	467,252

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

12 INCOME TAX EXPENSES *(Continued)*

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

	2017 EUR	2016 EUR
(Loss)/profit before income tax	**(864,231)**	1,852,665
Calculated at a taxation rate of 16.5%	**(142,598)**	305,690
Expenses not deductible for tax purpose	**282,809**	69,297
Income not subject to tax	**(28,707)**	(27,466)
Effect of different tax rates in other jurisdictions	**(48,225)**	124,385
One-off tax relief	**–**	(4,654)
Remeasurement of deferred tax – change in tax rate in France (Note)	**25,000**	–
Under provision in prior years	**233,030**	–
Income tax expense	**321,309**	467,252

Note: For the year ended 31 December 2017 and 2016, the applicable statutory Corporate Income Tax rate in France is 33.33%, According to the France Tax Department's promulgation on 27 September 2017, the applicable statutory Corporate Income Tax rate is stipulated at a rate of 28%, effective from 1 January 2018, hence deferred tax assets arising from subsidiary in France were re-measured at the applicable statutory Corporate Income Tax rate at a rate of 28%.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 21 December 2017 and the Capitalisation Issue (as defined in the Prospectus) of ordinary shares which took place on 19 January 2018.

	Year ended 31 December	
	2017	2016
(Loss)/profit attributable to equity holders of the Company (Euro)	**(1,168,505)**	1,403,042
Weighted average number of shares in issue (thousands)	**300,000**	300,000
Basic (loss)/earnings per share (expressed in Euro cents)	**(0.39)**	0.47

(b) Diluted (loss)/earnings per share

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

14 SUBSIDIARIES

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

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

15 PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment EUR	Leasehold improvements EUR	Tooling EUR	Testing equipment EUR	Construction in progress EUR	Total EUR
Year ended 31 December 2017						
Opening net book amount	47,391	3,272	32,435	40,000	96,375	219,473
Additions	43,027	–	–	–	–	43,027
Currency translation difference	(2,656)	–	(3,232)	–	(11,252)	(17,140)
Depreciation charge	(45,243)	(818)	(11,650)	(10,000)	–	(67,711)
Closing net book amount	42,519	2,454	17,553	30,000	85,123	177,649
At 31 December 2017						
Cost	356,200	201,885	2,048,260	442,730	85,123	3,134,198
Accumulated depreciation	(313,681)	(199,431)	(2,030,707)	(412,730)	–	(2,956,549)
Net book amount	42,519	2,454	17,553	30,000	85,123	177,649
At 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	87,483	25,514	39,901	–	–	152,898
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	47,391	3,272	32,435	40,000	96,375	219,473
At 31 December 2016						
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	47,391	3,272	32,435	40,000	96,375	219,473

For the year ended 31 December 2017 and 2016, depreciation expense amounted to EUR67,711 and EUR133,752 respectively, of which EUR11,650 and EUR42,331 has been charged in 'cost of sales', and EUR56,061 and EUR91,421 has been charged in 'administrative expenses'.

16 INTANGIBLE ASSETS

	Licensing right EUR	Trademark EUR	Design patent EUR	Domain name and website EUR	Total EUR
Year ended 31 December 2017					
Opening net book amount	**2,970,324**	**1,200,000**	**9,917**	**19,832**	**4,200,073**
Amortisation	**(270,029)**	**–**	**(964)**	**(1,928)**	**(272,921)**
Currency translation differences	**–**	**(102,564)**	**(799)**	**(1,595)**	**(104,958)**
Closing net book amount	**2,700,295**	**1,097,436**	**8,154**	**16,309**	**3,822,194**
At 31 December 2017					
Cost	**4,860,530**	**1,097,436**	**9,145**	**18,291**	**5,985,402**
Accumulated amortisation	**(2,160,235)**	**–**	**(991)**	**(1,982)**	**(2,163,208)**
Net book amount	**2,700,295**	**1,097,436**	**8,154**	**16,309**	**3,822,194**
At 1 January 2016					
Cost	4,860,530	–	–	–	4,860,530
Accumulated amortisation	(1,620,177)	–	–	–	(1,620,177)
Net book amount	3,240,353	–	–	–	3,240,353
Year ended 31 December 2016					
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	2,970,324	1,200,000	9,917	19,832	4,200,073
At 31 December 2016					
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	2,970,324	1,200,000	9,917	19,832	4,200,073

For the years ended 31 December 2017 and 2016, amortisation charge amounted to EUR272,921 and EUR270,277 respectively, of which EUR270,029 and EUR270,027 has been charged in 'cost of sales', and EUR2,892 and EUR250 has been charged in "administrative expenses".

16 INTANGIBLE ASSETS *(Continued)*

Impairment review on the trademark of the Group has been conducted by the management as at 31 December 2017 and 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 perpetuity, 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 31 December 2017 and 2016, key assumptions for trademark used for value-in use calculations include annual growth rates of approximately 19.5% and operating margin of approximately 6.2%. As at 31 December 2017 and 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 5.3% and 5.1%, the estimated recoverable amount would be equal to the carrying amount of the trademark as at 31 December 2017 and 2016, respectively.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 **EUR**	2016 EUR
(Liabilities)/Assets		
Foreign exchange forward contracts	**(85,955)**	369,995

The derivative financial instruments mainly consist of the following contracts:

	2017 **EUR**	2016 EUR
Foreign exchange forward contracts in respect of EUR against US$		
– Notional principal amounts	**US$6,950,000**	US$6,800,000
– Maturities as at year end	**Range from 1 month to 7 months**	Range from 1 month to 11 months

Derivative financial instruments were carried at fair values.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 EUR	2016 EUR
Financial assets		
Derivative financial instruments	–	369,995
Loans and receivables		
Trade receivables	10,195,955	10,906,130
Deposits and other receivables	669,622	768,771
Pledged bank deposits	2,062,879	2,328,125
Cash and cash equivalents	4,813,033	5,992,129
	17,741,489	19,995,155
	17,741,489	20,365,150
Financial liabilities		
Derivative financial instruments	(85,955)	–
Other financial liabilities at amortised cost		
Trade payables	(4,403,512)	(6,954,479)
Accruals of sales rebate	(1,066,065)	(1,433,358)
Other payables	(3,493,273)	(3,483,433)
Loans from related parties	(998,247)	(989,374)
Bank borrowings	(8,161,293)	(7,681,538)
	(18,122,390)	(20,542,182)
	(18,208,345)	(20,542,182)

19 INVENTORIES

	2017 EUR	2016 EUR
Finished goods	**5,216,318**	7,375,980
Provision for impairment	**(259,496)**	(414,172)
	4,956,822	6,961,808

The cost of inventories included in cost of sales during the years ended 31 December 2017 and 2016 amounted to approximately EUR25,205,807 and EUR28,506,711 respectively.

Movements on the provision for impairment of inventories are as follows:

	EUR
At 1 January 2016	380,102
Provision for impairment of inventories	27,390
Exchange difference	6,680
At 31 December 2016 and 1 January 2017	414,172
Reversal of provision for impairment of inventories	(137,919)
Exchange difference	(16,757)
At 31 December 2017	259,496

20 TRADE RECEIVABLES

	2017 EUR	2016 EUR
Trade receivables	**10,293,504**	10,927,155
Provision for impairment	**(97,549)**	(21,025)
	10,195,955	10,906,130

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

20 TRADE RECEIVABLES *(Continued)*

As at 31 December 2017 and 31 December 2016, the ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2017 EUR	2016 EUR
1 to 30 days	**3,109,148**	6,824,768
31 to 60 days	**3,492,437**	545,760
61 to 90 days	**1,007,121**	2,813,624
More than 90 days	**2,587,249**	721,978
	10,195,955	10,906,130

As at 31 December 2017 and 2016, trade receivables of EUR3,207,369 and EUR2,712,236 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:

	2017 EUR	2016 EUR
Past due by:		
1 to 30 days	**695,086**	2,337,022
31 to 60 days	**336,387**	295,922
61 to 90 days	**54,866**	48,934
More than 90 days	**2,121,030**	30,358
	3,207,369	2,712,236

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 2016	131,607
Reversal of provision for impairment of trade receivables	(110,582)
At 31 December 2016 and 1 January 2017	21,025
Provision for impairment of trade receivables	76,524
At 31 December 2017	97,549

20 TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivables approximated their fair values as at 31 December 2017 and 31 December 2016, and were denominated in the following currencies:

	2017 EUR	2016 EUR
US$	**4,535,266**	4,145,788
EUR	**5,547,439**	6,760,342
RMB	**113,250**	–
Total	**10,195,955**	10,906,130

As at 31 December 2017 and 2016, the Company had factored trade receivables of EUR5,711,916 and EUR6,697,653 respectively to banks for cash under certain receivables purchase agreements. As the Company still retained the risks associated with the default and delay in payment by the customers, the financial asset derecognition conditions as stipulated in 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 26).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 EUR	2016 EUR
Prepayments		
– Professional fee for listing preparation	**488,186**	–
– Others	**403,207**	117,951
Deposits	**109,203**	117,145
Other receivables		
– VAT receivables	**1,118**	99,073
– Others (Note)	**560,419**	651,626
	1,562,133	985,795
Less: non-current deposit	**–**	(69,239)
Current portion	**1,562,133**	916,556

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

The carrying amounts of deposits and other receivables approximated their fair values as at 31 December 2017 and 2016.

As at 31 December 2017 and 2016, the Group did not hold any collateral as security.

22 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2017 EUR	2016 EUR
Cash on hand	**1,256**	2,093
Cash at bank	**4,811,777**	5,990,036
Cash and cash equivalents	**4,813,033**	5,992,129
Pledged bank deposits – as collateral for bank facilities	**2,062,879**	2,328,125
	6,875,912	8,320,254
Maximum exposure to credit risk	**6,874,656**	8,318,161

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

	2017 EUR	2016 EUR
HK$	**167,408**	173,297
US$	**4,398,186**	5,986,260
RMB	**293,089**	336,688
EUR	**1,992,213**	1,765,127
Others	**25,016**	58,882
	6,875,912	8,320,254

23 SHARE CAPITAL AND RESERVES

(a) Share capital

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

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

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

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$	EUR
Authorised:			
Ordinary share of HK$0.01 each at 3 August 2017 (date of incorporation)	38,000,000	380,000	40,998
Increase in authorised share capital	3,962,000,000	39,620,000	4,274,581
At 31 December 2017	4,000,000,000	40,000,000	4,315,579
Issued and fully paid:			
At 3 August 2017 (date of incorporation)	1	–	–
Issuance of shares arising from Reorganisation	9,999	100	11
At 31 December 2017	10,000	100	11

23 SHARE CAPITAL AND RESERVES *(Continued)*

(b) Reserves

	Merge reserve EUR (note)	Other reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2016	4,386,134	710,259	1,355,892	6,452,285
Comprehensive income:				
Profit for the year	–	–	1,403,042	1,403,042
Other comprehensive income:				
Currency translation difference	–	159,739	–	159,739
Remeasurement of defined benefit retirement plans, net of tax	–	(5,517)	–	(5,517)
Balance at 31 December 2016 and 1 January 2017	**4,386,134**	**864,481**	**2,758,934**	**8,009,549**
Comprehensive income:				
Loss for the year	**–**	**–**	**(1,168,505)**	**(1,168,505)**
Other comprehensive income:				
Currency translation difference	**–**	**(678,983)**	**–**	**(678,983)**
Remeasurement of defined benefit retirement plans, net of tax	**–**	**(2,428)**	**–**	**(2,428)**
Issuance of shares arising from Reorganisation	**(11)**	**–**	**–**	**(11)**
Balance at 31 December 2017	**4,386,123**	**183,070**	**1,590,429**	**6,159,622**

Note:

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

24 TRADE PAYABLES

	2017 EUR	2016 EUR
Trade payables	**4,403,512**	6,954,479

24 TRADE PAYABLES *(Continued)*

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

	2017 EUR	2016 EUR
0-30 days	**3,981,341**	2,591,008
31-60 days	**146,237**	2,078,728
61-90 days	**28,390**	2,284,743
Over 90 days	**247,544**	–
	4,403,512	6,954,479

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

	2017 EUR	2016 EUR
US$	**4,262,806**	6,954,479
RMB	**140,706**	–
	4,403,512	6,954,479

25 ACCRUALS, PROVISION AND OTHER PAYABLES

	2017 EUR	2016 EUR
Accruals for operating expenses		
– Professional fee for listing preparation	**558,824**	–
– Others	**2,500,240**	2,808,766
Accruals of sales rebate	**1,066,065**	1,433,358
License fee payable	**3,493,273**	3,483,433
Other payables	**276,336**	674,678
Provision	**249,763**	447,852
	8,144,501	8,848,087
Less: non-current payable	**(2,920,802)**	(3,177,554)
Current portion	**5,223,699**	5,670,533

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

Movements on the provision are as follows:

	EUR
At 1 January 2016	460,763
Provision for warranty	79,179
Utilisation of warranty	(98,187)
Currency translation difference	6,097
At 31 December 2016 and 1 January 2017	**447,852**
Provision for warranty	**189,526**
Utilisation of warranty	**(366,728)**
Currency translation difference	**(20,887)**
At 31 December 2017	**249,763**

The carrying amounts of accruals and other payables approximated their fair values as at 31 December 2017 and 2016.

26 BORROWINGS

	2017 **EUR**	2016 EUR
Secured		
Factoring loans	**5,692,333**	6,681,538
Bank borrowings	**2,468,960**	1,000,000
	8,161,293	7,681,538

As at 31 December 2017 and 2016, the Group had total banking facilities of EUR10,941,362 and EUR11,559,947 of which EUR2,780,069 and EUR3,878,409 borrowings were unutilised respectively.

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

	2017 **EUR**	2016 EUR
Pledged bank deposits	**2,062,879**	2,328,125
Trade receivables	**5,711,916**	6,697,653
Corporate guarantee (provided by Atlinks Holdings Limited)	**4,620,000**	5,225,000
	12,394,795	14,250,778

26 BORROWINGS *(Continued)*

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 2017 and 2016 were 1.8% and 1.2% respectively.

The borrowings were repayable as follows:

	2017 **EUR**	2016 EUR
Within 1 year or repayable on demand	**7,063,761**	7,681,538

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

	2017 **EUR**	2016 EUR
Within 1 year	**6,634,415**	7,681,538
Between 1 and 2 years	**446,034**	–
Between 2 and 5 years	**1,080,844**	–
	8,161,293	7,681,538

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:

	2017 **EUR**	2016 EUR
EUR	**6,183,082**	7,624,097
US$	**1,978,211**	57,441
	8,161,293	7,681,538

27 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The analysis of deferred income tax assets and liabilities is as follows:

	2017 EUR	2016 EUR
Deferred income tax assets:		
– to be recovered after more than 12 months	835,062	1,175,364
– to be recovered within 12 months	32,450	27,611
	867,512	1,202,975
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(60)	(4,266)
– to be recovered within 12 months	–	(133,123)
	(60)	(137,389)
Deferred income tax assets, net	867,452	1,065,586

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

	EUR
At 1 January 2016	1,284,736
Charged to the consolidated income statement (Note 12)	(223,534)
Credited to other comprehensive income	2,759
Currency translation difference	1,625
At 31 December 2016 and 1 January 2017	1,065,586
Charged to the consolidated income statement (Note 12)	(193,918)
Credited to other comprehensive income	943
Currency translation difference	(5,159)
At 31 December 2017	867,452

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

The movements in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016, after taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax depreciation EUR	Provision for product warranty EUR	Fair value change of derivative financial instruments EUR	Tax losses EUR	Provision for retirement benefit EUR	Unrealised Currency difference on foreign currency EUR	Total EUR
As at 1 January 2016	2,960	43,821	(12,926)	1,148,636	101,200	1,045	1,284,736
Credited/(charged) to the consolidated 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**
(Charged)/credited to the consolidated income statement	**(1,576)**	**(19,025)**	**147,400**	**(317,583)**	**6,304**	**(9,438)**	**(193,918)**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**943**	**–**	**943**
Currency translation differences	**(1,713)**	**(3,446)**	**–**	**–**	**–**	**–**	**(5,159)**
As at 31 December 2017	**9,475**	**14,797**	**24,068**	**691,832**	**118,898**	**8,382**	**867,452**

As at 31 December 2017 and 2016, the Group had no material unrecognised deferred tax assets.

28 CASH GENERATED FROM OPERATIONS

(a) Cash (used in)/generated from operation

	2017 EUR	2016 EUR
(Loss)/profit before income tax	(864,231)	1,852,665
Adjustments for:		
Depreciation of property, plant and equipment	67,711	133,752
Provision/(reversal) for impairment of trade receivables	76,524	(110,582)
(Reversal)/provision for inventories	(137,919)	27,390
Amortisation of intangible assets	272,921	270,277
Loss/(gain) on derivative financial instruments	455,950	(331,217)
Provision for product warranty	189,526	79,179
Finance costs, net	411,207	322,669
Operating profit before working capital changes	471,689	2,244,133
Changes in operating assets and liabilities		
Decrease/(increase) in inventories	2,089,820	(410,344)
Decrease in trade receivables	76,574	1,697,949
Increase in prepayments, deposits and other receivables	(98,508)	(326,346)
(Decrease)/increase in trade payables	(1,910,404)	491,748
Decrease in accruals, provisions and other payables	(770,730)	(1,331,004)
Cash (used in)/generated from operations	(141,559)	2,366,136

(b) Reconciliation of liabilities arising from financing activities

	Borrowings EUR	Pledged bank deposit EUR	Loans from related parties EUR	Dividend payable EUR	Total EUR
As at 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
Cash in/(out) flows	515,973	96,955	–	–	612,928
Non-cash change	–	–	8,873	–	8,873
Foreign exchange movement	(36,218)	168,291	–	–	132,073
As at 31 December 2017	8,161,293	(2,062,879)	998,247	–	7,096,661

29 RETIREMENT BENEFITS OBLIGATIONS

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

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

	2017 EUR	2016 EUR
Present value of unfunded obligation	360,841	334,954
Liability in the consolidated statement of financial position	360,841	334,954

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

	2017 EUR	2016 EUR
Current service cost	17,811	17,299
Total expenses, included in employee benefit expenses (Note 9)	17,811	17,299
Interest expense	4,704	5,779
Total expenses, included in finance cost, net (Note 11)	4,704	5,779

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

	2017 EUR	2016 EUR
At the beginning of the year	334,955	303,600
Current service cost	17,811	17,299
Interest expense	4,704	5,779
Remeasurement arising from experience adjustment and changes in actuarial assumptions	3,371	8,276
As at end of the year	360,841	334,954

29 RETIREMENT BENEFITS OBLIGATIONS *(Continued)*

The significant actuarial assumptions as follows:

	2017 **EUR**	2016 EUR
Discount rate	**1.30%**	1.30%
Inflation	**2.00%**	2.00%
Salary growth rate	**2.50%**	2.50%

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

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

	Impact on defined benefit obligation
For the year ended 31 December 2017	
– If discount rate increases by 0.25%	**Decrease by 2.9%**
– If discount rate decreases by 0.25%	**Increase by 3.0%**
For the year ended 31 December 2016	
– If discount rate increases by 0.25%	Decrease by 2.9%
– If discount rate decreases by 0.25%	Increase by 3.0%

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

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

30 CONTINGENCIES

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

31 COMMITMENTS

(a) Capital commitments

As at 31 December 2017 and 2016, the Group had no commitment for capital expenditure.

(b) Non-cancellable operating lease – as lessee

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

	2017 EUR	2016 EUR
Within one year	174,735	232,823
Later than one year but no later than five years	404,803	343,367
	579,538	576,190

32 RELATED PARTY TRANSACTIONS

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

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2017 and 2016.

Name of related party	**Relationship with the Group**
KooKum Services	Controlled by the direct family member of the Chief Executive Officer of the Group

(a) Significant related party transactions

Other than those transactions and balances disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties for the year ended 31 December 2017 and 2016:

	2017 EUR	2016 EUR
Consultation fee charged by a related party — KooKum Services	8,080	16,700
Interest expense on loans from shareholders:		
– Talent Ocean Holdings Limited	37,500	4,713
– Argento Investments Limited	5,915	743
– Jean-Alexis René Robert Duc	3,165	347
– Ho Dora	1,750	219
	48,330	6,022

32 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel compensation

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

Key management compensation are as follows:

	2017 EUR	2016 EUR
Basic salaries, allowances and benefits	**619,224**	644,500
Discretionary bonuses	**189,701**	223,612
Defined contribution pension costs	**65,705**	76,507
Defined benefit pension costs	**735**	1,136
	875,365	945,755

(c) Balances with related parties

	2017 EUR	2016 EUR
Loans from shareholders		
– Talent Ocean Holdings Limited (Note)	**759,452**	754,713
– Argento Investments Limited (Note)	**119,791**	119,043
– Jean-Alexis René Robert Duc (Note)	**83,563**	80,398
– Ho Dora (Note)	**35,441**	35,220
	998,247	989,374

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

The carrying amount of loans from shareholders approximated their fair values. The balances were denominated in EUR. The balances were subsequently settled on 5 January 2018.

33 ULTIMATE HOLDING COMPANY

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

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2017 EUR	2016 EUR
ASSETS			
Non-current asset			
Investment in subsidiaries		4,290,627	–
Current asset			
Prepayments for professional fee for listing preparation		488,186	–
Total assets		4,778,813	–
EQUITY			
Capital and reserves			
Share capital		11	–
Reserves	(a)	2,752,913	–
		2,752,924	–
LIABILITIES			
Current liabilities			
Accruals and other payable		558,824	–
Amount due to a subsidiary		1,467,065	–
Total liabilities		2,025,889	–
Total equity and liabilities		4,778,813	–

Balance sheet of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf

Didier Paul Henri Goujard	**Ho Dora**
Executive Director	*Executive Director*

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Balance sheet of the Company *(Continued)*

Note (a)

Reserve movement of the Company

	Merger reserve EUR (Note)	Accumulated losses EUR	Total EUR
Balance at 3 August 2017 (date of incorporation)	–	–	–
Total comprehensive loss			
Loss for the year	–	(1,537,703)	(1,537,703)
Transactions with owner			
Surplus arising on issue of shares in exchange for shares in subsidiaries (Note)	4,290,627	–	4,290,627
Issuance of shares arising from Reorganisation	(11)	–	(11)
Balance at 31 December 2017	4,290,616	(1,537,703)	2,752,913

Note:

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

35 DIVIDEND

No dividend has been paid or declared by the Company as at 31 December 2017 and 2016.

36 SUBSEQUENT EVENTS

Saved as disclosed in other parts of this report, the following significant event took place subsequent to 31 December 2017:

On 19 January 2018, the Company issued a total of 100,000,000 shares by way of public offer and placing at a price of HK$0.5 each and successfully listed its share on GEM of the Stock Exchange of Hong Kong Limited. The net proceeds after deducting underwriting fees and related expenses were approximately HK$23,100,000.

Financial Summary

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

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

	As at 31 December		
	2017	2016	2015
	EUR	EUR	EUR
Non-current assets	**4,834,905**	5,664,149	4,765,957
Current assets	**23,623,272**	27,538,363	26,898,966
Total assets	**28,458,177**	33,202,512	31,664,923
Non-current liabilities	**3,281,703**	3,516,774	3,734,961
Current liabilities	**18,969,979**	21,604,762	21,477,677
Total liabilities	**22,251,682**	25,121,536	25,212,638
Total equity	**6,206,495**	8,080,976	6,452,285