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ATLINKS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8043)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

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.

FINANCIAL HIGHLIGHTS

The Group's revenue decreased from approximately EUR7.7 million for the three months ended 31 March 2019 to approximately EUR6.8 million for the three months ended 31 March 2020, representing a decrease of approximately 11.6%. This was mainly due to sales declined in the home telephone segment in France and in Latin America.

The Group recorded a profit attributable to the equity holders of the Company of approximately EUR0.2 million for the three months ended 31 March 2020, compared to a loss of approximately EUR0.6 million for the three months ended 31 March 2019.

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2020.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2020

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2020, together with the comparative figures for the corresponding period in 2019 which have been reviewed and approved by the Audit Committee, as follows:

		Three months ended 31 March	
		2020	2019
	<i>Notes</i>	EUR	EUR
		(Unaudited)	(Unaudited)
Revenue	3	6,768,779	7,654,409
Cost of sales		(4,885,196)	(5,620,566)
Gross profit		1,883,583	2,033,843
Other income		–	6,850
Other gain/(loss)			
– Exchange difference		62,224	(40,028)
– Fair value changes on derivative financial instruments		223,501	96,473
Selling and distribution expenses		(552,513)	(994,704)
Administrative expenses		(1,186,015)	(1,611,423)
Operating profit/(loss)		430,780	(508,989)
Finance income		318	1,889
Finance costs		(111,871)	(113,577)
Finance costs, net		(111,553)	(111,688)
Profit/(Loss) before income tax		319,227	(620,677)
Income tax expenses	4	(88,120)	34,839
Profit/(Loss) for the period		231,107	(585,838)
Attributable to:			
Equity holders of the Company		231,107	(575,837)
Non-controlling interests		–	(10,001)
		231,107	(585,838)
Earnings/(Loss) per share			
– Basic and diluted (expressed in Euro cents per share)	5	0.06	(0.14)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Three months ended 31 March	
	2020	2019
	EUR	EUR
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	231,107	(585,838)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	34,095	29,152
<i>Items that may not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit retirement plans, net of tax	19,314	—
Other comprehensive income for the period	53,409	29,152
Total comprehensive income/(loss) for the period	284,516	(556,686)
Attributable to:		
Equity holders of the Company	284,516	(546,685)
Non-controlling interests	—	(10,001)
	284,516	(556,686)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

Attributable to equity holders of Atlinks Group Limited								
	Share capital EUR	Merger reserve EUR	Share premium EUR	Other reserve EUR	Retained earnings EUR	Total EUR	Non- controlling Interest EUR	Total EUR
Balances at 1 January 2019								
(Audited)	417,819	4,386,123	3,557,226	262,325	855,196	9,478,689	44,874	9,523,563
Comprehensive loss								
Loss for the period	–	–	–	–	(575,837)	(575,837)	(10,001)	(585,838)
Other comprehensive loss								
Currency translation difference	–	–	–	29,152	–	29,152	–	29,152
Other comprehensive loss	–	–	–	29,152	–	29,152	–	29,152
Total comprehensive loss for the period	–	–	–	29,152	(575,837)	(546,685)	(10,001)	(556,686)
Balances at 31 March 2019								
(Unaudited)	<u>417,819</u>	<u>4,386,123</u>	<u>3,557,226</u>	<u>291,477</u>	<u>279,359</u>	<u>8,932,004</u>	<u>34,873</u>	<u>8,966,877</u>
Balances at 1 January 2020								
(Audited)	417,819	4,386,123	3,557,226	285,560	(828,375)	7,818,353	42,437	7,860,790
Comprehensive income								
Profit for the period	–	–	–	–	231,107	231,107	–	231,107
Other comprehensive income								
Currency translation difference	–	–	–	34,095	–	34,095	–	34,095
Remeasurement of defined benefit retirement plans, net of tax	–	–	–	19,314	–	19,314	–	19,314
Other comprehensive income	–	–	–	53,409	–	53,409	–	53,409
Total comprehensive income for the period	–	–	–	53,409	231,107	284,516	–	284,516
Balances at 31 March 2020								
Unaudited)	<u>417,819</u>	<u>4,386,123</u>	<u>3,557,226</u>	<u>338,969</u>	<u>(597,268)</u>	<u>8,102,869</u>	<u>42,437</u>	<u>8,145,306</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in designing, developing and selling home and office telecommunication products to retailers, telecommunication operators and distributors customers covering APAC, Latin America, France and other European countries under three brands, namely Alcatel, Swissvoice and Amplicomms.

The unaudited condensed consolidated financial statements are presented in EURO (“**EUR**”) unless otherwise stated.

2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2020 has been prepared in accordance of with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of the Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The unaudited condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Group in the annual report for the year ended 31 December 2019 (“**2019 Annual report**”). The accounting policies used in the preparation of this unaudited condensed consolidated financial information are consistent with those followed in the preparation of the 2019 Annual Report, except for the adoption of new and revised HKFRSs which are effective for accounting periods beginning on or after 1st January 2020.

3 REVENUE AND SEGMENT INFORMATION

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

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

(a) Revenue by product type

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

	Three months ended 31 March	
	2020 EUR (Unaudited)	2019 EUR (Unaudited)
Revenue		
Home telephone	4,716,176	6,262,030
Office telephone	926,331	857,823
Others	1,126,272	534,556
	6,768,779	7,654,409

(b) Revenue by location

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

	Three months ended 31 March	
	2020 EUR (Unaudited)	2019 EUR (Unaudited)
France	3,722,851	4,135,420
Other European countries (<i>Note i</i>)	1,572,223	1,630,683
APAC/Russia/MEA (<i>Note ii</i>)	870,342	662,510
Latin America (<i>Note iii</i>)	603,363	1,225,796
	6,768,779	7,654,409

Notes:

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

4 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profit up to HK\$2 million, equivalent to approximately EUR233,000 and 16.5% thereafter, for one of its subsidiaries operating in Hong Kong for the three months ended 31 March 2020 (2019: 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 three months ended 31 March 2020 and 2019.

Corporate income tax on profits from a subsidiary operating in France has been calculated at 28% in accordance with the relevant France tax laws and regulations for the three months ended 31 March 2020 and 2019.

Income tax expenses

	Three months ended 31 March	
	2020	2019
	EUR	EUR
	(Unaudited)	(Unaudited)
Current income tax	19,781	18,485
Deferred income tax	68,339	(53,324)
	<u>88,120</u>	<u>(34,839)</u>

5 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to equity holders of the Company (Euro)	231,107	(575,837)
Weighted average number of shares in issue (thousands)	<u>400,000</u>	<u>400,000</u>
Basic earnings/(loss) per share (expressed in Euro cents per share)	<u>0.06</u>	<u>(0.14)</u>

(b) Diluted earnings/(loss) per share

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

6 DIVIDEND

No dividend has been paid or declared by the Company during the three months ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019.

BUSINESS REVIEW AND OUTLOOK

The Group’s revenue decreased from approximately EUR7.7 million for the three months ended 31 March 2019 to approximately EUR6.8 million for the three months ended 31 March 2020, representing a decrease of approximately 11.6%. Such a decrease was mainly due to a drop in sales in the home telephone segment in France and Latin America.

The following table shows the breakdown of our revenue by product categories for the three months ended 31 March 2019 and 2020.

	For the three months ended 31 March			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>EUR’000</i>	<i>% of total revenue</i>	<i>EUR’000</i>	<i>% of total revenue</i>
Home telephone	4,716	69.7%	6,262	81.8%
Office telephone	927	13.7%	858	11.2%
Others (<i>Note</i>)	1,126	16.6%	534	7.0%
Total	<u>6,769</u>	<u>100.0%</u>	<u>7,654</u>	<u>100.0%</u>

Note: Others include Elderly products, Wireless Conferencing phones, and IP devices.

The sales of home telephone segment for the three months ended 31 March 2020 has dropped 24.7% as compared to the corresponding period in 2019, with sales of approximately EUR4.7 million. Such decrease was mainly due to the impact of lockdown of some of the European countries and the temporary halt of business during the three months ended 31 March 2020 in order to contain the outbreak of the COVID-19. The sales of home telephone segment represents approximately 69.7% of our total revenue for the three months ended 31 March 2020.

Despite the lockdown, sales of others product category grew by approximately 110.7% to approximately EUR1.1 million, which represents approximately 16.6% of our total revenue for the three months ended 31 March 2020. This was driven by growth in sales of elderly products.

Sales of the office telephone was relatively stable with a revenue of approximately EUR0.9 million as compared to that of approximately EUR0.9 million in the corresponding period in 2019. This was mainly driven by the sales of VoIP (Voice over Internet Protocol) terminals in Europe.

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).

	For the three months ended 31 March			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>EUR'000</i>	<i>% of total revenue</i>	<i>EUR'000</i>	<i>% of total revenue</i>
France	3,723	55.0%	4,135	54.0%
Other European countries (Note 2)	1,572	23.2%	1,630	21.3%
APAC/Russia/MEA (Note 3)	870	12.9%	663	8.7%
Latin America (Note 4)	604	8.9%	1,226	16.0%
Total	6,769	100.0%	7,654	100.0%

Notes:

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

As a result of the lockdown in Europe, the Group's sales in France and other European countries dropped by 8.2% as compared to the corresponding period in 2019. This represented approximately 78.2% of our total revenue for the three months ended 31 March 2020.

Our sales to the Asia Pacific Region, Russia and the Middle East area for the three months ended 31 March 2020 has grown 31.4% to approximately EUR0.87 million as compared to the corresponding period in 2019. This represented approximately 12.9% of our total revenue for the three months ended 31 March 2020.

Sales to the Latin America region has dropped to approximately 8.9% of our total revenue for the three months ended 31 March 2020 from approximately 16.0% of our total revenue for the three months ended 31 March 2019.

OUTLOOK

Needless to say, the first quarter of 2020 was extremely challenging. Our business was impacted by the outbreak of the COVID-19 because most of the European countries were locked down in March. That being said, the hard work done by the team in the past six months has paid off. The reduction in operating expenses, the improvement of gross margin by the new productization approach helped to deliver more solid results in this quarter.

Our strategy remains unchanged and that is to gain market shares in the home telephone business through the introduction of new competitive products with enriched features, to cover more price points on the shelf and to expand our presence in South East Asia. Sales of elderly mobile devices under the Swissvoice brand is expected to continue to gain its momentum through working with the service operators, and we expect to see more products to be listed for retail in the remainder of 2020. The growth momentum of Amplicomms is expected to continue as more new products such as the TV listener will be launched under this brand in the 3rd quarter of 2020.

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

We are expecting 2020 to continue to be a challenging year. The economic impact of the outbreak of COVID-19 remains uncertain and makes it difficult to gauge on our Group revenue expectation.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of cost of inventories, depreciation and amortisation. The cost of sales decreased by approximately 13.1% from approximately EUR5.6 million for the three months ended 31 March 2019 to approximately EUR4.9 million for the three months ended 31 March 2020. The gross profit margin increased from approximately 26.6% for the three months ended 31 March 2019 to approximately 27.8% for the three months ended 31 March 2020.

Selling and Distribution Expenses

The selling and distribution expenses decreased significantly by 44.5% from approximately EUR1.0 million for the three months ended 31 March 2019 to approximately EUR0.6 million for the three months ended 31 March 2020. The reduction of approximately EUR0.4 million is the result of decreases in logistic and marketing expense.

Administrative Expenses

The administrative expenses decreased from approximately EUR1.6 million for the three months ended 31 March 2019 to approximately EUR1.2 million for the three months ended 31 March 2020, which mainly resulted from the reduction of rental, legal and staff expenses.

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

The Group recorded a profit of approximately EUR0.2 million for the three months ended 31 March 2020, compared to a loss of approximately EUR0.6 million for the three months ended 31 March 2019.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2020.

Use of Proceeds from the Listing

As stated in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2017 (the “**Prospectus**”), the Group intends to use the proceeds to (i) develop its office telephone products; (ii) develop its elderly telecommunications products; (iii) strengthen and enhance its sales channels; (iv) expand its staff team; (v) develop its other products including IP cameras and smart home products; (vi) expand its geographical coverage; and for (vii) general working capital.

On 19 January 2018, 100,000,000 ordinary shares of the Company were allotted at HK\$0.5 and the net proceeds from Public Offer and Placing (as defined in the Prospectus) received by the Company were approximately HK\$23.1 million (after deduction of any related expenses).

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

Uses of the Net Proceeds	Original	Revised	Utilised Net	Remaining
	allocation	allocation	Proceeds up to	balance of the
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	31 March 2020	Net Proceeds
			<i>HK\$ Million</i>	as at
				31 March 2020
				<i>HK\$ Million</i>
Developing the office telephone products	2.9	1.5	0.8	0.7
Developing the elderly telecommunications products	5.3	8.3	3.8	4.5
Strengthening and enhancing our sales channels	3.7	5.1	2.9	2.2
Expanding the staff team	5.8	2.9	2.8	0.1
Developing the other products including IP cameras and smart home products	1.3	–	–	–
Expanding the geographical coverage	3.0	3.0	1.8	1.2
General working capital	1.1	2.3	2.3	–
	<u>23.1</u>	<u>23.1</u>	<u>14.4</u>	<u>8.7</u>

For details of the re-allocation of the use of proceeds, please refer to the announcement of the Company dated 31 December 2019.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares for the three months ended 31 March 2020.

SHARE OPTION SCHEME

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

No share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme during the three months ended 31 March 2020. As at 31 March 2020, the Company has no outstanding share option under the Share Option Scheme.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There is no contract of significance to which the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the three months ended 31 March 2020.

COMPETING BUSINESS

During the reporting period for the three months ended 31 March 2020 and up to the date of this announcement, 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. As at 31 March 2020, as notified by Lego, save for the compliance adviser agreement dated 12 September 2017 entered into between the Company and Lego regarding the receipt of fees for acting as the compliance adviser, neither the compliance adviser nor its directors or employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the three months ended 31 March 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently consists of three independent non-executive Directors of the Company, chaired by Ms. Lam Lai Ting Maria Goretti and the other two members are Ms. Chan Cheuk Man Vivian and Ms. Lee Kit Ying Catherine.

The condensed consolidated financial statement of the Group for the three months ended 31 March 2020 are unaudited, but have been reviewed by the Audit Committee.

By order of the Board
ATLINKS GROUP LIMITED
Mr. Long Hak Kan
Chairman and Non-executive Director

Hong Kong, 12 May 2020

As at the date of this announcement, the executive Directors are Mr. TONG Chi Hoi, Mr. Jean-Alexis René Robert DUC, Ms. HO Dora and Mr. LONG Shing; the non-executive Directors are Mr. LONG Hak Kan and Mr. Didier Paul Henri GOUJARD; and the independent non-executive Directors are Ms. LAM Lai Ting Maria Goretti, Ms. CHAN Cheuk Man Vivian and Ms. LEE Kit Ying Catherine.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the GEM's website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.atlinks.com.