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## **ATLINKS GROUP LIMITED**

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

**(Stock Code: 8043)**

### **CONTINUING CONNECTED TRANSACTIONS**

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On 29 November 2021, Atlinks Asia, an indirect wholly-owned subsidiary of the Company, and Kan Tsang entered into the Kan Tsang Framework Agreement pursuant to which, Atlinks Asia will procure Kan Tsang to manufacture and purchase from Kan Tsang the Products subject to the terms and conditions thereof.

#### **GEM LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) for the proposed annual caps under the Kan Tsang Framework Agreement is more than 5% on an annual basis and the consideration is more than HK\$10 million, the Kan Tsang Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

#### **CONTINUING CONNECTED TRANSACTIONS**

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As at the date of this announcement, Kan Tsang is a company wholly owned by Mr. Long, a non-executive Director, chairman of the Board and a controlling shareholder of the Company. Kan Tsang is therefore a connected person of the Company and the transactions contemplated under the Kan Tsang Framework Agreement constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

The historical purchase amounts incurred by the Group for the Products for each of the two years ended 31 December 2020 and the ten months ended 31 October 2021 are set out below:

	<b>Year ended 31 December</b>		<b>Ten months</b>
	<b>2019</b>	<b>2020</b>	<b>ended 31 October</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>2021</i>
			<i>US\$'000</i>
the Products ( <i>Note</i> )	3,319	7,181	5,940
	<b>3,319</b>	<b>7,181</b>	<b>5,940</b>

*Note:* The purchase amounts for the Products represents approximately 12.7%, 30.3% and 27.1% of our total cost of sales for the two years ended 31 December 2019 and 2020 and ten months ended 31 October 2021, respectively.

The estimated annual purchase amount for the Products for the year ending 31 December 2021 is approximately US\$7.2 million.

As at the date of this announcement, the Group had been purchasing the Products under an existing purchasing agreement with an independent vendor (the “**Original Vendor**”), which is based in Shenzhen, PRC.

## **KAN TSANG FRAMEWORK AGREEMENT**

The principle terms of the Kan Tsang Framework Agreement are set out below:

### **Date**

29 November 2021

### **Term**

The term of the Kan Tsang Framework Agreement is three years commencing from 1 January 2022 to 31 December 2024.

### **Parties**

- (i) Atlinks Asia; and
- (ii) Kan Tsang

## **Scope of Transactions**

The Parties agreed with each other that, they may enter into, or members of the Group and Kan Tsang may enter into, the standard program placement agreements during the Term for the purchase of the Products in the ordinary and usual course of business within the limit of the annual cap. Each such program placement agreement is to be made on arm's length basis and be on normal commercial terms.

## **Pricing Policy**

The pricing for the Products will be on normal commercial terms and negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party vendors and shall be on terms which are no less favourable to the Group than those provided by independent third party vendors or which Kan Tsang provides to independent third parties for similar products.

To ensure the price provided by Kan Tsang shall be no less favourable to the Group, Atlinks Asia shall obtain independent quotations from at least two unrelated third-party vendors to manufacture and sell the Products not less frequently than on a semi-annual basis.

## **Payment terms**

Among others, the purchase price, payment time and method, delivery times, product specifications and other specific terms or conditions for the transactions contemplated under the Kan Tsang Framework Agreement shall be fixed in individual placement agreements or purchase orders on a case-by-case basis. Such terms will differ depending on the particular requirements of the products to be purchased and will normally be settled by way of electronic funds transfer made within 90 days.

## **Annual Caps**

The proposed annual caps for the transaction contemplated under the Kan Tsang Framework Agreement shall not exceed the following on an annual basis for each of the three years ending 31 December 2024:

	<i>US\$'000</i>
For the financial year ending 31 December 2022	8,000
For the financial year ending 31 December 2023	8,500
For the financial year ending 31 December 2024	9,000

## **Basis for determining the annual caps**

The proposed annual caps are determined with reference to projections of the Company mainly with reference to the following major factors: (i) the historical purchase amounts for the Products for the two years ended 31 December 2020 and ten months ended 31 October 2021; (ii) estimated demand for the Products; (iii) the prevailing quoted price for the Products offered to the Group by Kan Tsang and other independent third party vendors.

## **Internal Control Measures**

The Company has adopted the following internal control measures to ensure that the continuing connected transactions are in accordance with the terms of the Kan Tsang Framework Agreement and are not less favourable than those available from independent third parties:

1. the Company will supervise the continuing connected transaction in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of the Kan Tsang Framework Agreement and for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy, in particular, the relevant costing team charged with monitoring the price of the Products shall regularly review the pricing, furnish the particulars to the product team for endorsement and provide the same to the Chief Executive Officer of the Company for sign-off;
2. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transaction under the Kan Tsang Framework Agreement;
3. the audit committee of the Company will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transaction under the Kan Tsang Framework Agreement; and
4. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction under the Kan Tsang Framework Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE KAN TSANG FRAMEWORK AGREEMENT**

As part of the Group's ongoing cost control measures, the Group has attempted to negotiate with the Original Vendor to provide the Products at a lower cost to the Group given the increasing scale of production, but the Original Vendor was unable or unwilling to provide the Products at a more favourable price point.

The Group has also reached out to the Group's other existing vendors to negotiate re-allocation of the production of the Products. The Group was informed by the other existing vendors that none of them could provide the Products at a lower price point.

Thus, the Group explored other options to seek suitable vendors (i) to fulfill its demand for higher production capacity at a more favourable price point (as part of the Group's cost control measures) in line with the Group's expected increase in demand for the Products; (ii) with the relevant technical expertise to produce the Products to the quality and technical specifications required by the Group; (iii) with well-established production facilities to provide a stable and reliable supply of the Products; and (iv) that can satisfy the Group's production capacity needs (for easier quality control and better operation and production efficiency).

One of the options explored was engaging Kan Tsang, a business owned by Mr. Long as a replacement vendor for the Products. After exploring other available options, including obtaining quotations and terms from other independent vendors, it was decided that Kan Tsang could offer more competitive pricing for the Products while maintaining the same standard in terms of specifications, quality, delivery times, etc.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that (i) the Kan Tsang Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the proposed annual caps for each of the three years ending 31 December 2024 under the Kan Tsang Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) for the proposed annual caps under the Kan Tsang Framework Agreement is more than 5% on an annual basis and the consideration is more than HK\$10 million, the Kan Tsang Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **INFORMATION OF THE PARTIES**

### **Information on the Company**

The Group is principally engaged in designing, developing and selling home and office telecommunication products to retailers, telecommunication operators and distributors customers all around the world under three brands, namely Alcatel, Swissvoice and Amplicomms.

## **Information on Atlinks Asia**

Atlinks Asia is an indirect wholly owned subsidiary of the Company. Atlinks Asia is principally engaged in the trading and development of telecommunications equipment.

## **Information on the Kan Tsang**

Kan Tsang is wholly owned by Mr. Long, who is a non-executive Director, chairman and a controlling shareholder of the Company. Kan Tsang is principally engaged in the research and development, design and manufacturing of electroacoustic products and components for reputable Chinese and overseas companies in the information and communications technology sector.

## **GENERAL**

The EGM will be convened to consider and, if thought fit, approve the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). To the best of the Directors' knowledge, information and belief, as at the date of this announcement, save for Eiffel Global and its associates, no Shareholder is required to abstain from voting on the relevant resolutions to approve the said transactions at the EGM, pursuant to Rule 20.34 of the GEM Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors, namely Ms. Lam Lai Ting Maria Goretti, Ms. Chan Cheuk Man Vivian and Lee Kit Ying Catherine has been formed to advise the Independent Shareholders in respect of the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). The Company has appointed Frontpage Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

A circular containing, among other things, (i) details of the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders on or before 13 December 2021.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, the following definitions apply unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, these defined terms are not included in the table below:

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Atlinks Asia”	Atlinks Asia Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Atlinks Group Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (Stock Code: 8043)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Eiffel Global”	Eiffel Global Limited, a company incorporated in the British Virgin Islands which directly holds 75% of the total issued shares of the Company as at the date of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve by poll, among other things, the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely, Ms. Lam Lai Ting Maria Goretti, Ms. Chan Cheuk Man Vivian and Ms. Lee Kit Ying Catherine, formed to advise the Independent Shareholders in respect of the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Financial Adviser”	Frontpage Capital Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	any Shareholders, other than Eiffel Global Limited and its associates, who will abstain from voting on the relevant resolutions in relation to the Kan Tsang Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of the Company and the connected person(s) of the Company
“Kan Tsang”	Kan Tsang New Technology Development Limited, a company incorporated in Hong Kong and wholly owned by Mr. Long
“Kan Tsang Framework Agreement”	the framework agreement entered into between Atlinks Asia and Kan Tsang on 29 November 2021, pursuant to which Atlinks Asia agrees enter into agreements to purchase and Kan Tsang agrees to manufacture and sell the Products for a term of three years commencing from 1 January 2022 and ending on 31 December 2024
“Mr. Long”	Mr. Long Hak Kan, a non-executive Director, the chairman of the Board and a controlling shareholder of the Company
“PRC”	People’s Republic of China
“Products”	cordless phone products with Atlinks Asia’s software masked onto the CPU



“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

By order of the Board  
**ATLINKS GROUP LIMITED**  
**Mr. Tong Chi Hoi**  
*Chief Executive Officer*

Hong Kong, 29 November 2021

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