



ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8031



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 ETS Group Limited (the “Company”) 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.

FINANCIAL SUMMARY

The Group's total revenue for the nine months ended 30 September 2018 was approximately HK\$103,925,000, representing a decrease of approximately 5.2% as compared with the total revenue of approximately HK\$109,602,000 for the corresponding period in 2017.

Profit attributable to owners of the Company for the nine months ended 30 September 2018 was approximately HK\$1,201,000, representing a decrease of approximately 27% as compared with the profit attributable to owners of the Company of approximately HK\$1,646,000 for the corresponding period in 2017.

Earnings per share for the nine months ended 30 September 2018 was approximately HK0.4 cents (nine months ended 30 September 2017: approximately HK0.6 cents).

UNAUDITED RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2018 together with the comparative figures for the corresponding periods ended 30 September 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	35,415	36,139	103,925	109,602
Other income		137	130	398	396
Other (losses)/gains – net		(141)	1,318	(514)	1,473
Employee benefits expenses		(21,728)	(23,244)	(60,904)	(66,447)
Depreciation and amortization		(2,337)	(2,164)	(6,731)	(6,754)
Other operating expenses		(10,383)	(11,452)	(32,749)	(34,812)
Operating profit		963	727	3,425	3,458
Finance costs		(73)	(141)	(262)	(365)
Profit before tax		890	586	3,163	3,093
Income tax expense	4	(739)	(359)	(1,962)	(1,447)
Profit for the period		151	227	1,201	1,646
Total comprehensive income for the period		151	227	1,201	1,646
Profit attributable to owners of the Company		151	227	1,201	1,646
Total comprehensive income attributable to owners of the Company		151	227	1,201	1,646
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	6	0.1	0.1	0.4	0.6

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 9 January 2012 (the "Listing Date").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated third quarterly financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis adopted in preparing the unaudited condensed consolidated third quarterly financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2017.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on or after 1 January 2018, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

3. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Outsourcing inbound contact service	3,681	3,136	13,507	8,135
Outsourcing outbound contact service	10,373	14,849	34,832	47,433
Staff insourcing service	16,011	13,759	42,784	37,858
Contact service centre facilities management service	3,835	4,247	7,796	12,387
Others*	1,515	148	5,006	3,789
	35,415	36,139	103,925	109,602

* Principally comprises licencing, system maintenance, sales of system and software and provision of financial services including securities broking and asset management.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the nine months period ended 30 September 2018. Taxation on overseas profits has been calculated on the estimated assessable profit for the nine months period ended 30 September 2018 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current income tax	739	359	1,962	1,447

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

5. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2018 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,201,000 (nine months ended 30 September 2017: approximately HK\$1,646,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the nine months ended 30 September 2018 (during the nine months ended 30 September 2017: the weighted average number of 280,000,000 ordinary shares issued).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the nine months ended 30 September 2018 and nine months ended 30 September 2017.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company				
	Share premium HK\$'000	Merger reserve HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2017 (audited)	25,238	25,624	-	56,983	107,845
Profit for the period	-	-	-	1,646	1,646
Total other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,646	1,646
Dividend paid	-	-	-	(1,120)	(1,120)
Balance at 30 September 2017 (unaudited)	25,238	25,624	-	57,509	108,371
Balance at 1 January 2018 (audited)	25,238	25,624	500	56,978	108,340
Profit for the period	-	-	-	1,201	1,201
Total other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,201	1,201
Balance at 30 September 2018 (unaudited)	25,238	25,624	500	58,179	109,541

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018 were approved by the Board on 6 November 2018.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. The principle activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service. Also, the Group has further expanded to financial market and engaged in securities trading business in Hong Kong since 2017.

For the nine months ended 30 September 2018, the Group's unaudited total revenue was approximately HK\$103.9 million, representing a decrease of approximately HK\$5.7 million as compared with the total revenue of the corresponding period in 2017 (2017: approximately HK\$109.6 million).

A continual increase in revenue was recorded for the segments of Outsourcing Inbound Contact Service and Staff Insourcing Service during the three months ended 30 September 2018. However, the tight labor market and stringent control from regulatory authorities on person-to-person telemarketing continue to put pressure on the performance of Outsourcing Outbound Contact Service and demand of Contact Centre Facilities Management Service, and resulted in a decrease in the corresponding segment revenue.

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and other services accounted for approximately 13%, 33.5%, 41.2%, 7.5% and 4.8% of the Group's unaudited total revenue for the nine months ended 30 September 2018 respectively.

The unaudited employee benefits expenses decreased from approximately HK\$66.4 million for the nine months ended 30 September 2017 to approximately HK\$60.9 million for the nine months ended 30 September 2018. The decrease was mainly attributable to the decrease of the number of contact centre agents during the period. The unaudited other operating expenses decreased by approximately HK\$2.1 million from approximately HK\$34.8 million for the nine months ended 30 September 2017 to approximately HK\$32.7 million for the nine months ended 30 September 2018. The decrease of other operating expenses was mainly attributable to the decrease of the rent and rates expenses.

The Group's unaudited depreciation and amortization expenses slightly decreased from approximately HK\$6.8 million for the nine months ended 30 September 2017 to approximately HK\$6.7 million for the nine months ended 30 September 2018. The Group recorded similar unaudited finance costs for the nine months ended 30 September 2018 amounted to approximately HK\$0.3 million as compared to that of the corresponding period in 2017 (2017: approximately HK\$0.4 million).

The decrease of profit was mainly attributed to the continuous loss of our securities business which is the new startup business of our Group. The decrease of employee benefits expenses and other operating expenses in the period cannot set off against the decrease in revenue, as a result, the unaudited profit attributable to the owners of the Company decreased by approximately 27% from approximately HK\$1.6 million for the nine months ended 30 September 2017 to approximately HK\$1.2 million for the nine months ended 30 September 2018.

SIGNIFICANT INVESTMENTS

During the period, the Group disposed 133,161,385 shares of AB Global High Yield Portfolio (AT) and 41,350,726 shares of Allianz US High Yield (AM) shares, which were the pledged assets of the banking facility, following the release of one of our banking facilities. The Group recognized a loss of disposal of such unlisted financial assets designated as at fair value through profit or loss amounted approximately HK\$0.4 million.

Available-for-sales financial asset

The Group continuously to invest in TFI International Holdings Limited ("TFI"), a company incorporated in the Cayman Islands with limited liability which principally engages in the provision of one-stop video solution with patented technology for encoding, live streaming and OTT platform. As at 30 September 2018, the Group held 40 shares in TFI. The Group's shareholding in TFI represents approximately 3.7% of the total issued share capital of TFI as at 30 September 2018. As at 30 September 2018, the carrying value of the available-for-sale financial asset amounted to approximately HK\$10,900,000 and the put option is amounted to approximately HK\$700,000.

PROSPECTS

The Group has expanded its financial business to provide asset management services followed the acquisition of Gear Asset Management Limited in May 2018, and a number of funds are currently under way with a couple of them are expected to be introduced to the market by the end of this year.

Deepening trade tensions between the US and China, a change in interest rate strategy of the US as well as political conflicts around the world, all threaten to have adverse impact on the global financial market. All these unfavourable factors and negative sentiment may inevitably affect the global stock markets and fund investment, and the Group is going to take cautious steps to develop our financial businesses in the near coming future.

LIQUIDITY

The Group adheres to a prudent financial management policy and has a healthy financial position. During the nine months under review, the Group financed our operations with internally generated cash flows and banking facilities provided by banks. As at 30 September 2018, the Group had cash and bank balances of approximately HK\$41.9 million (2017: approximately HK\$34.0 million).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 September 2018 except for the code provision A.6.2(a) of the Code, details of which are set out below.

According to code provision A.6.2(a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the period under review, Mr. Tang Shing Bor, the Chairman and a non-executive Director of the Company, did not attend two of the three board meetings held due to conflicts with other urgent obligations or engagements at the same time.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry on the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions for the nine months ended 30 September 2018.

SHARE OPTION SCHEME

During the nine months ended 30 September 2018, no share option was granted, exercised, expired or lapsed under the share option scheme approved on 21 December 2011 (the "Share Option Scheme").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the nine months ended 30 September 2018 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors are aware of, none of the Directors or the substantial/controling shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the nine months ended 30 September 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to Securities Transactions by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Directors/ Chief Executives	Capacity	Nature of interests	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 September 2018
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 (Note)	75%

Note:

These interests were held by Million Top Enterprises Limited which is wholly and beneficially owned by Mr. Tang Shing Bor. Mr. Tang Shing Bor is therefore deemed to be interested in such shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors and/or Chief Executive had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the Securities Transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2018, the following persons (not being a Director or Chief Executive) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company as at 30 September 2018
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	210,000,000	75%

Note:

Million Top Enterprises Limited is wholly and beneficially owned by Mr. Tang Shing Bor, a non-executive Director.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the nine months ended 30 September 2018 and is of the opinion that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company for the nine months ended 30 September 2018.

By order of the Board
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

Hong Kong, 6 November 2018

As at the date of this report, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; the non-executive director of the Company is Mr. Tang Shing Bor and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai.

This report will remain on the "Latest Company Reports" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.etsgroup.com.hk.