



ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:8031



**SYSTEM
SOLUTION**

**CONTACT
CENTER SERVICE**

**FINANCIAL
SERVICES**

2019

THIRD QUARTERLY REPORT

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 2019 was approximately HK\$100,001,000, representing a decrease of approximately 3.8% as compared with the total revenue of approximately HK\$103,925,000 for the corresponding period in 2018.

Profit attributable to owners of the Company for the nine months ended 30 September 2019 was approximately HK\$7,285,000, representing an increase of approximately 506.6% as compared with the profit attributable to owners of the Company of approximately HK\$1,201,000 for the corresponding period in 2018.

Earnings per share for the nine months ended 30 September 2019 was approximately HK2.6 cents (nine months ended 30 September 2018: approximately HK0.4 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 2019 together with the comparative figures for the corresponding periods ended 30 September 2018, as follows:

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

For the three months and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	29,470	35,415	100,001	103,925
Other income		88	137	371	398
Other (losses)/gains-net		(2)	(141)	-	(514)
Employee benefits expenses		(21,208)	(21,728)	(67,528)	(60,904)
Depreciation and amortization		(2,958)	(2,337)	(9,254)	(6,731)
Other operating expenses		(3,516)	(10,383)	(14,325)	(32,749)
Operating profit		1,874	963	9,265	3,425
Finance costs		(152)	(73)	(480)	(262)
Profit before tax		1,722	890	8,785	3,163
Income tax expense	4	(154)	(739)	(1,500)	(1,962)
Profit for the period		1,568	151	7,285	1,201
Total comprehensive income for the period		1,568	151	7,285	1,201
Profit attributable to owners of the Company		1,568	151	7,285	1,201
Total comprehensive income attributable to owners of the Company		1,568	151	7,285	1,201
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	6	0.6	0.1	2.6	0.4

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2019

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 2018.

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 2019, 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Outsourcing inbound contact service	2,998	3,681	9,106	13,507
Outsourcing outbound contact service	3,608	10,373	21,401	34,832
Staff insourcing service	14,097	16,011	43,228	42,784
Contact service centre facilities management service	3,399	3,835	7,108	7,796
Financial services*	4,385	815	15,687	2,106
Others	983	700	3,471	2,900
	29,470	35,415	100,001	103,925

* Financial services were classified in "Others" segment in 2018.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the nine months period ended 30 September 2019. Taxation on overseas profits has been calculated on the estimated assessable profit for the nine months period ended 30 September 2019 at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current income tax	154	739	1,500	1,962

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 2019 (2018: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 30 September 2019 is based on (i) the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$7,285,000 (nine months ended 30 September 2018: approximately HK\$1,201,000) and (ii) the weighted average number of 280,000,000 ordinary shares issued during the nine months ended 30 September 2019 (during the nine months ended 30 September 2018: 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 2019 and nine months ended 30 September 2018.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2018	2,800	25,238	25,624	500	56,978	111,140
Effect arising from initial application of HKFRS 9	-	-	-	(500)	(1,007)	(1,507)
Restated balance as at 1 January 2018 (audited)	2,800	25,238	25,624	-	55,971	109,633
Effect of the adoption of the HKFRS 16	-	-	-	-	(235)	(235)
Profit for the period	-	-	-	-	1,201	1,201
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	966	966
Balance at 30 September 2018 (unaudited)	2,800	25,238	25,624	-	56,937	110,599
Balance at 1 January 2019 (audited)	2,800	25,238	25,624	-	59,917	113,579
Effect of the adoption of the HKFRS 16	-	-	-	-	(228)	(228)
Profit for the period	-	-	-	-	7,285	7,285
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7,057	7,057
Balance at 30 September 2019 (unaudited)	2,800	25,238	25,624	-	66,974	120,636

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2019 were approved by the Board on 5 November 2019.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (2018: 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 principal activities of the Group include provisions of 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 in Hong Kong since 2017 and asset management business since 2018.

For the nine months ended 30 September 2019, the Group's unaudited total revenue was approximately HK\$100 million, representing a decrease of approximately HK\$3.9 million as compared with the total revenue of the corresponding period in 2018 (2018: approximately HK\$103.9 million).

While the Group continues to record a considerable decrease of revenue in the segment of outsourcing inbound contact services and outsourcing outbound contact services, the new financial service business has started to grow and make substantial contribution to the Group both in terms of revenue as well as profit.

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service, financial services and other services accounted for approximately 9.1%, 21.4%, 43.2%, 7.1%, 15.7% and 3.5% of the Group's unaudited total revenue for the nine months ended 30 September 2019 respectively.

The unaudited employee benefits expenses increased from approximately HK\$60.9 million for the nine months ended 30 September 2018 to approximately HK\$67.5 million for the nine months ended 30 September 2019. The increase was mainly attributable to the increase of the employee benefits for our newly acquired financial business during the period. The unaudited other operating expenses decreased by approximately HK\$18.4 million from approximately HK\$32.7 million for the nine months ended 30 September 2018 to approximately HK\$14.3 million for the nine months ended 30 September 2019. The decrease of other operating expenses was mainly attributable to the decrease of the rental expenses and subcontracting fee.

The Group's unaudited depreciation and amortization expenses increased from approximately HK\$6.7 million for the nine months ended 30 September 2018 to approximately HK\$9.3 million for the nine months ended 30 September 2019. The unaudited finance costs for the nine months ended 30 September 2018 increased from approximately HK\$0.3 million to approximately HK\$0.5 million for the nine months ended 30 September 2019.

The increase of profit was mainly attributed to the growth and higher profit margin of the business of our financial segment and the appropriate cost control of our operation.

PROSPECTS

While the Group continued to implement cost controls and to improve operating results, the Company continues to explore opportunities especially in the financial services segment in order to further diversify the business scope and broaden our revenue base. With reference to the announcement dated 24 October 2019, the Group has expanded into money lending business through Gear Credit Limited ("Gear Credit"), a newly founded wholly-owned subsidiary of the Company which has obtained a money lender's licence under the Money Lenders Ordinance in Hong Kong. The management of the Group believes that the money lending business cannot only broaden the scope of our existing financial services, but can also create a lot of synergies as well as increase our competitiveness in the market.

Moreover, the Group has completed a major revamp of our proprietary contact centre system which is re-branded as Marvel Contact Centre System with CnC (stands for Connect and Communicate) CRM Solution. It supports a wide range of traditional as well as latest social media communication channels together with AI chatbot capabilities designated for medium to large size corporations. In the future, the Group will continue to enhance the Marvel Contact Centre System through both in-house development and strategic collaboration with external parties. The Group believes the new system solution increase volume of sales and help to improve both the revenue and profit of the business in long run.

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 2019 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, was absent in four out of the five board meetings held, two of which involved conflicts of interests in the transactions discussed at the relevant board meetings.

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 2019.

SHARE OPTION SCHEME

During the nine months ended 30 September 2019, 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 2019 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.

NON-COMPETITION UNDERTAKING

As disclosed in the announcement of the Company dated 24 October 2019, Gear Credit Limited, which is an indirect wholly-owned subsidiary of the Company, has obtained a money lender's licence under the Money Lenders Ordinance ("MLO") and commenced its money lending business.

Prior to the commencement of business of Gear Credit, on 21 October 2019, Mr. Tang Shing Bor ("Mr. Tang") (our Chairman and non-executive Director), Mr. Tang Yiu Sing ("Mr. YS Tang") (our Chief Executive Officer and executive Director), H.K. Sources Finance Limited ("HK Sources") and Kong Way Credit Company Limited ("Kong Way", together with Mr. Tang, Mr. YS Tang and HK Sources, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company (for itself and as trustee of the members of the Group) with a view to safeguard the interest of the Company and the Shareholders as a whole.

As at the date of the Deed of Non-competition, (i) Mr. Tang is the controlling shareholder of HK Sources, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender's licence under the MLO and is principally engaged in the provision of mortgage loan; and (ii) Mr. YS Tang is the sole shareholder of Kong Way, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender's licence under the MLO and is principally engaged in the provision of loans for individuals and small and medium enterprises.

Subject to the terms and conditions of the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for itself and as trustee for the benefit of the members of the Group) that during the continuation of the Deed of Non-competition, other than the aforementioned shareholding interests held by Mr. Tang and Mr. YS Tang in HK Sources and Kong Way respectively, each of the Covenantors shall not, and shall procure each of his/its close associates (other than any members of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of comprehensive multi-media contact services, contact centre system, staff insourcing and financial services engaged by the Group and the money lending business engaged by the Group through Gear Credit and/or other member(s) of the Group in Hong Kong and any other country or jurisdiction to which the Group markets, supplies or otherwise provides such service and/or in which any members of the Group carries on business mentioned above from time to time (the "Restricted Business").

Each of the Covenantors further undertakes that if he/it and/or any of his/its close associates is offered or becomes aware of any project or new business opportunity ("New Business Opportunity") that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than three (3) Business Days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates. If the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within five (5) Business Days (the "5-day Offering Period") of receipt of notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the five (5) Business Days to a maximum of ten (10) Business Days if the Company requires so by giving a written notice to the Covenantors within the 5-day Offering Period.

As at the date of this report, the Company had not received any written notice from any of the Covenantors in respect of any New Business Opportunity which competed or was likely to compete with the existing business of the Group which was offered or came to the knowledge of the Covenantors or their close associates (other than any member of the Group). Each of the Covenantors will make an annual declaration to the Company in respect of his/its compliance with his/its obligations under the Deed of Non-competition for the year ending 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controllers shareholders of the Company has any interest in a business which competes or is likely to compete, directly or indirectly, with the business of the Group or has any other conflict of interest with the Group for the nine months ended 30 September 2019 and up to the date of this report.

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 2019, 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 2019
Mr. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 <i>(Note)</i>	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 2019, none of the Directors 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 2019, 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 2019
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 2019, 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 consolidated quarterly results of the Group for the nine months ended 30 September 2019 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 2019.

By order of the Board

ETS Group Limited

Tang Yiu Sing

Executive Director and Chief Executive Officer

Hong Kong, 5 November 2019

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 Announcements" 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.